City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

City and County of San Francisco

Meeting Agenda

Finance Committee

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

Monday, August 05, 2002 **10:00 AM** **City Hall, Room 263**

Special Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
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2) Budget Analyst report
3) Legislative Analyst report
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AGENDA CHANGES

REGULAR AGENDA

1. 021292 **[Business Tax]**

Supervisor McGoldrick

Motion submitting the San Francisco Business Tax Reform Ordinance 2002 to the qualified electors of the City and County of San Francisco, at the November 5, 2002 general municipal election.

7/17/02, PREPARED IN COMMITTEE AS A MOTION. Continued to 7/24/02. See File 021121 for prior versions.

7/17/02, CONTINUED.

7/17/02, RECEIVED AND ASSIGNED to Finance Committee.

7/24/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Heard in Committee. Speakers: Supervisor McGoldrick; Supervisor Peskin; Ed Harrington, Controller; Supervisor Daly, Supervisor Hall; Steven Comell, President, Small Business Commission; Margaret Brodkin, Coleman Advocates for Children; Jim Mathias, S. F. Chamber of Commerce; Julie Van Nostern, Deputy City Attorney; Amy Laitinen, SEIU; John Cope, Hotel Council of S. F.; Todd Robinette, Equity Office Properties; Nathan Nayman, Executive Director, Committee on Jobs; Scott Hauge, Small Business Advocates; Clifford Waldeck; Howard Wallace, Local 250; Garret Jenkins; Margie O'Driscoll; Rebecca Vilkomerson, People's Budget; John Crapo, Director, S. F. Center for Economic Development; Jim Fabris, S. F. Association of Realtors; Dorji Roberts, Deputy City Attorney; Rolph Muller; Lane Andersson, Boston Properties; Larry Volentine; Michael Freeman, McCarthy Cook & Company; Patricia Bresslin, Golden Gate Restaurant Association; Ken Cleveland, Building Owners & Managers Association; Chris Boman; Roger Bazeley, Theodore Brown.
Amendment of the Whole; Supervisor Daly withdrew his sponsorship; Supervisor McGoldrick added as sponsor.

7/24/02, CONTINUED AS AMENDED. Continued to July 31, 2002.

7/31/02, CONTINUED. Heard in Committee. Speakers: Brook Turner, Coaliiton for Better Housing; Dorji Roberts, Deputy City Attorney; Jim Fabris, San Francisco Association of Realtors; Rosie Byers, SEIU, Local 250; Margie O'Driscoll, Interim Director, San Francisco Institute of Architects; Julie Van Nostem, Deputy City Attorney; Supervisor McGoldrick; Richard Parker; Jim Mathias, San Francisco Chamber of Commerce; Ken Cleveland, Building Owners and Managers Association; Theodore Lakey, Deputy City Attorney; Leong Chow, SEIU; Nathan Nayman, Executive Director, Committee on Jobs; Janan New, Director, San Francisco Apartment Association; Mr. Wallace, San Francisco Labor Council.
Continued to Special Meeting of Finance Committee on Monday, August 5, 2002.

2. **021294** **[Business Tax]**

Supervisor McGoldrick

Ordinance amending the Business and Tax Regulations Code to: (1) enact a new Article 12-A-1 (Gross Receipts Tax Ordinance) to impose a gross receipts tax on persons engaging in business in San Francisco as a lessor of real estate; (2) amend Article 12-A (Payroll Expense Tax Ordinance) to (i) reduce businesses' taxable payroll expense by the amount of payroll expense attributable to their San Francisco business activities taxed under Article 12-A-1 (Gross Receipts Tax Ordinance), (ii) conform Article 12-A (Payroll Expense Tax Ordinance) with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 6 (Common Administrative Provisions), (iii) repeal the $500 surplus business tax revenue credit set forth in Section 906E, and (iv) consolidate exemptions, definitions and other administrative provisions, as amended, that apply to Article 12-A (Payroll Expense Tax Ordinance) and other Articles of the Business and Tax Regulations Code, and place them in Article 6 (Common Administrative Provisions); (3) amend Article 12 (Business Registration Ordinance) to conform business registration requirements with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 6 (Common Administrative Provisions); (4) amend Article 6 (Common Administrative Provisions) to (i) clarify common administrative provisions and conform them with the enactment of Article 12-A-1 (Gross Receipts Tax Ordinance) and amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 12 (Business Registration Ordinance), (ii) consolidate exemptions, definitions and other administrative provisions that apply to Article 12-A (Payroll Expense Tax Ordinance), Article 12-A-1 (Gross Receipts Tax Ordinance), Article 12 (Business Registration Ordinance) and other Articles of the Business and Tax Regulations Code, and (iii) eliminate the Board of Review; and (5) amend Section 501 of Article 7 to clarify the definition of "Permanent Residents" exempt from the tax on the transient occupancy of hotel rooms.

7/17/02, RECEIVED AND ASSIGNED to Finance Committee.

7/17/02, PREPARED IN COMMITTEE AS AN ORDINANCE. Continued to 7/24/02. See File 021097 for prior versions.

7/17/02, CONTINUED.

7/24/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Heard in Committee. Speakers: Supervisor McGoldrick; Supervisor Peskin; Ed Harrington, Controller; Supervisor Daly, Supervisor Hall; Steven Cornell, President, Small Business Commission; Margaret Brodkin, Coleman Advocates for Children; Jim Mathias, S. F. Chamber of Commerce; Julie Van Nostern, Deputy City Attorney; Amy Laitinen, SEIU; John Cope, Hotel Council of S. F.; Todd Robinette, Equity Office Properties; Nathan Nayman, Executive Director, Committee on Jobs; Scott Hauge, Small Business Advocates; Clifford Waldeck; Howard Wallace, Local 250; Garret Jenkins; Margie O'Driscoll; Rebecca Vilkomerson, People's Budget; John Crapo, Director, S. F. Center for Economic Development; Jim Fabris, S. F. Association of Realtors; Dorji Roberts, Deputy City Attorney; Rolph Muller; Lane Andersson, Boston Properties; Larry Volentine; Michael Freeman, McCarthy Cook & Company; Patricia Bresslin, Golden Gate Restaurant Association; Ken Cleveland, Building Owners & Managers Association; Chris Boman; Roger Bazeley, Theodore Brown.
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Continued to Special Meeting of Finance Committee on Monday, August 5, 2002.

ADJOURNMENT

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LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

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Meeting Agenda

Finance Committee

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

Wednesday, August 07, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

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AGENDA CHANGES

REGULAR AGENDA

1. 021067 **[Amending Public Works Code, Street Space Occupancy Permits; Modify the Fee Collection]**
Supervisors Peskin, Newsom
Ordinance amending Public Works Code Sections 724 through 724.9 concerning street space occupancy permits to modify the fee collection structure, provide for fee refunds, assess right-of-way occupancy costs, establish minimum notice requirements, and impose other related procedures; amending Traffic Code Section 33.1A to replace existing provisions concerning special parking restrictions with a requirement that the Department of Parking and Traffic and Department of Public Works coordinate jurisdictional activities over street space occupancy permits.

6/10/02, RECEIVED AND ASSIGNED to Budget Committee.
7/10/02, TRANSFERRED to Neighborhood Services and Recreation Committee.
7/22/02, SUBSTITUTED to Neighborhood Services and Recreation Committee. Supervisor Peskin submitted a substitute ordinance bearing new title.
7/23/02, TRANSFERRED to Finance Committee. Sponsor requests this item be calandered on August 7, 2002.

2. 021184 **[Airport Concession Lease]**

Resolution approving the North Terminal Candy Store Lease between See's Candies, Inc. and the City and County of San Francisco, Acting by and through its Airport Commission. (Airport Commission)

7/2/02, RECEIVED AND ASSIGNED to Finance Committee.

3. 021230 **[Airport Concession Support Program Lease]**

Resolution approving the Airport Concession Support Program between Action Cellular-Cellular Phone Rental Service Lease; Andale SFO - New International Terminal Food and Beverage Lease; Bank of America - Domestic Banking Services Lease; Bayport Concessions LLC dba Willow Street Woodfired Pizza - New International Terminal Food and Beverage Lease; Books, Inc. - North Terminal Bookstore Lease; Buth-Na-Bodhaige, Inc. dba The Body Shop - Boarding Area "F" Cosmetic and Toiletries Lease; CalStar Retail, Inc. - Boarding Area "F" Newsstand Lease and North Terminal Candy Cart/Kiosk Lease; Clear Channel Airports - Airport Advertising Program Lease and SFO Cyber Room Technology Showcase Lease; D. Mitchell Concessions dba Harry Denton's - New International Terminal Food and Beverage Lease; D-Lew Enterprises dba Il Fornaio - New International Terminal Food and Beverage Lease; Deli-Up Enterprises, LLC - New International Terminal Food and Beverage Lease; Discovery Channel Stores - New International Terminal Nature Theme Store Lease; Ebisu, Inc. - New International Terminal Food and Beverage Lease; Emporio Rulli - New International Terminal Food and Beverage Lease; Fung Lum Express, LLC - New International Terminal Food and Beverage Lease; Gotham Foods Two, LLC dba Firewood Café - New International Terminal Food and Beverage Lease; Harbor Airport, LLC dba Harbor Village - New International Terminal Food and Beverage Lease; Host International, Inc. - North Terminal Concession Opportunity Lease, Boarding Areas "B" and "C" Bookstores Lease, New International Terminal Aviation Store Lease, and North Terminal Hub Principal Retail Concession Lease; Lori's Diner International - New International Terminal Food and Beverage Lease; Nidal Nazzal dba Burger Joint - New International Terminal Food and Beverage Lease; North Terminal Shines - Shoeshine Service Lease; OSI-MB-Boarding Area "F" Executive Writing Instruments Lease; Pacific Gateway Concessions, LLC - Boarding Areas "B" and "C" Principal Retail Concession Lease; Pacific Golf Partners, LLC - New International Terminal Golf Shop Lease; Polk-Townsend and Associates dba Café Metro - New International Terminal Food and Beverage Lease; Rosedale-Wilsons dba Wilsons Leather - North Terminal Concourse Fine Leather Goods Lease; San Francisco Museum of Modern Art - New International Terminal Museum Store Lease; See's Candies, Inc. - North Terminal Candy Store Lease (upon execution of the Lease); SFO Hairport - New International Terminal Hair Salon Lease; Smarte Carte - Public Lockers and Over-the-Counter Baggage Lease; Tomokazu Japanese Cuisine (SFO), Inc. - New International Terminal Food and Beverage Lease; Travelex America, Inc. - ATM Lease A in the New International Terminal, ATM Lease B in the New International Terminal, and Foreign Currency Lease; U-Threads - Boarding Area "F" Collegiate Apparel Lease; WH Smith Hotel Services - New International Terminal Bookstore/Café Lease; and Yoko, Inc. dba Osho Japanese Cuisine - New International Terminal Food and Beverage Lease; and the City and County of San Francisco, Acting by and through its Airport Commission. (Airport Commission)

7/12/02, RECEIVED AND ASSIGNED to Finance Committee.

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FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY OF SAN FR.

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

August 1, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: August 7, 2002 Finance Committee Meeting

Item 1 - File 02-1067

Departments: Department of Public Works (DPW)
Department of Building Inspection (DBI)
Department of Parking and Traffic (DPT)

Item: Ordinance (a) amending Public Works Code Sections 724 through 724.9 concerning street space occupancy permits to change the fee collection structure, provide for fee refunds, assess right-of-way occupancy costs, establish minimum notice requirements, and impose other related procedures; and (b) amending Traffic Code Section 33.1A to replace existing provisions concerning special parking restrictions with a requirement that the Department of Parking and Traffic (DPT), Department of Public Works (DPW) and the Department of Building Inspection (DBI) coordinate jurisdictional activities over street space occupancy permits.

Description: Currently, the Department of Building Inspection (DBI) and the Department of Public Works (DPW) are jointly responsible for the issuance of street space occupancy permits. Street space occupancy permits are issued to individuals, construction contractors and telecommunications related construction companies to reserve public parking spaces for use during the course of construction projects. Such street space occupancy permits establish no-parking zones, which permit holders are authorized to use for the delivery and storage of their supplies and

materials. Typically, these no-parking zones reserve street space fronting the construction site from property line to property line. DPT and DPW are jointly responsible for enforcing these no-parking zones.

Currently, permit holders pay one-tenth of one percent of the value of the construction project for a street space occupancy permit, with a minimum fee of $30. The street space occupancy permit is valid for a period of either (a) four months for small construction jobs that do not require a building permit or (b) the duration of the building permit issued to the permit holder by DBI.

The proposed ordinance would amend the Public Works Code, to:

- Establish a new fee structure, including assessing right-of-way occupancy costs and providing for fee refunds. As noted previously, the current street space occupancy permit fee is one-tenth of one percent of the construction project value regardless of the length of the permit and the amount of space reserved. The proposed ordinance would change the fee structure, requiring the permittee to pay for street space on a per space (up to 20 linear feet and eight feet wide) per month basis. This proposed fee is broken into two parts: (1) a street space occupancy permit fee and (2) a public right-of-way occupancy assessment. The permit fee would be $10.45 per month per 20 linear feet or fraction thereof, and the public right-of-way assessment would be $29.55 per 20 linear feet, totaling $40 per space per month for up to 20 linear feet. DPW would calculate the fee in one-month increments even though the permittee may occupy the space for less than one month.

- Modify Public Works Code Section 724.7 and 724.8 to allow for two types of additional street space occupancy: short and long term additional street space occupancy permits. Currently, street space occupancy permit holders may apply for additional street space beyond the maximum eight feet wide, 20 linear feet long, public parking space by petitioning the Director of Public Works or the Board of Supervisors

(depending on the length of occupancy) for a $500 petition processing fee and a $10 or $40 per square foot annual assessment depending on the height restrictions of the area.[1] Presently, the petition process for additional street space applies to requests for additional street space occupancy regardless of the length of the permit.

The proposed ordinance also provides both short and long term additional street space occupancy permits, which reserve space beyond 20 linear feet for such purposes as large deliveries and crane shortage. For short-term occupancy permits, the proposed ordinance would allow permit holders to reserve additional street space for $50 per day, regardless of the size of the space requirement. Such additional short-term street space occupancy permits could be granted for a maximum period of two weeks. As previously noted, the current Public Works Code requires a petition to the Director of Public Works with a $500 petition processing fee and a $10 or $40 per square foot additional annual assessment fee, regardless of the length of the permit.

For long-term occupancy permits, under the proposed ordinance the applicant would be charged a processing fee of $353 instead of the current $500 fee, a reduction of $147 or 29.4%. Long-term occupancy permit applicants would also be required to pay an assessment charge of either $4.00 per square foot per month or $10.00 per square foot per month depending on the project's location, reduced from the existing $10 and $40 annual per square foot assessment charges previously described.[2]

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[1] In areas zoned for buildings 80 feet in height or greater, DPW currently charges $40 per sq. ft annually. In areas zoned for buildings less than 80 feet in height, DPW currently charges $10 per sq. ft. annually.

[2] The assessment cost shall be as follows: (a) for a building in Planning Code height district of 80 feet or less, the cost shall be $4 per additional square foot of occupation per month and (b) for a building in Planning Code height district of greater than 80 feet, the cost shall be $10 per additional square foot of occupation per month. For purposes of calculating the assessment costs, the Department shall use one-month increments even though the permittee may occupy the space for less than a one-month term. For the purpose of calculating the assessment cost, requests for extensions of permits would be treated as new applications.

- Increase the fee for temporary street space occupancy for any purpose other than a building construction operation, from $30 to $50 per day, not exceeding a two week period.

- Delete Traffic Code Section 33.1A, which allows the public to park in no-parking zones after 12 p.m. in residential areas if construction work has not begun, and replace it with a program that requires DPT and DPW to develop a memorandum of understanding (MOU) between DPT and DPW to define the responsibility of each department in implementing and enforcing the proposed ordinance.

- Provide that, beginning in FY 2003-2004, the permit fee and street space occupancy assessment will be adjusted each year by the Consumer Price Index, as determined by the Controller, without further approval by the Board of Supervisors.

Under the proposed ordinance, street space occupancy permits would be restricted from the current 24 hours per day occupancy for the term of the permit to 7:00 a.m. to 6:00 p.m. seven days a week allowable occupancy, unless otherwise authorized by the Director of Public Works. A permit holder who desired to modify a permit would be charged a new $50.00 fee. Additionally, the subject ordinance would establish a process for permittees to obtain refunds for projects that finish one month or more ahead of schedule.

Comments:

1. Attachment I, submitted by Ms. Tina Olson of DPW, identifies the existing fees, the proposed fees, the actual FY 2001-2002 revenues and the projected FY 2002-2003 revenues. In FY 2001-2002, total actual revenues were $1,300,000. Based on an effective date of October 1, 2002 when the proposed legislation would be implemented, the projected FY 2002-2003 revenues are estimated to be $4,533,621. On an annual basis, the proposed fees are anticipated to generate a total of $5,511,495, which is $4,211,495 or 324 percent more than current annual

revenues of $1,300,000. As noted above, the proposed ordinance authorizes the Controller to adjust these fees in future years based on the Consumer Price Index (CPI), without subsequent Board of Supervisors approval.

2. In November 2001, the Legislative Analyst's Office (File 01-1628) conducted an evaluation of the subject street space occupancy fees which revealed that neither DPW nor DPT consistently enforce (1) whether the subject no-parking zones have current street space occupancy permits and (2) whether such spaces are used properly by permit holders. The evaluation found that because DPW and DPT do not consistently enforce street space occupancy permits, permit holders have the opportunity to use their reserved street space for employee parking, which is not allowed under the Traffic Code, Section 33.1 and the Public Works Code, Section 72.

DPW is proposing to revise the street space occupancy program to: (1) improve the coordination between DPW, DBI, and DPT; (2) change the fee setting rules to provide incentives for contractors to minimize their use of public street space; (3) clarify the signage to include a DPW contact telephone number; and (4) increase DPW's inspection staff and related expenditures to improve enforcement of the subject street space occupancy permits.

3. In FY 2001-2002, street space occupancy permit fees charged by DPW generated approximately $1,300,000 compared to the cost of DPW's issuance and enforcement expenditures of $679,934. Therefore, the City's revenues collected from these street space occupancy permits currently exceeds the City's costs by approximately 91.2 percent. According to Mr. John Malamut of the City Attorney's Office, the City's fees cannot exceed the City's costs of providing services pursuant to Proposition 13 under the California Constitution, Article 13A.

4. As shown in Attachment II to this report provided by Ms. Olson, the proposed new program is estimated to cost an additional $765,179 on an annualized basis, for a total estimated annual cost of $1,445,113 ($679,934 existing costs plus $765,179 new costs). Ms. Olson notes that in

FY 2002-2003, based on an October 1, 2002 start date, the costs would be approximately $1,412,716, including $209,000 of one time costs. According to Ms. Olson, the $10.45 per space fee portion of the proposed street space occupancy permit cost is estimated to generate $1,445,113 in revenues on an annualized basis, which will fully recover the total program costs of $1,445,113.

5. In addition to the street space occupancy permit fee of $10.45 per space, which will result in full cost recovery, the proposed ordinance would institute a monthly rent or occupancy assessment, of $29.55 per parking space per month. According to Ms. Olson, based on historical use, this proposed occupancy assessment is estimated to generate approximately $4,066,383 annually. As noted above, overall, these two fees would generate approximately $5,511,495 annually ($1,445,113 fee revenues + $4,066,383 occupancy assessment revenues). According to Mr. Malamut, the proposed $29.55 assessment would be a legal assessment.[3]

6. Although the proposed ordinance has not yet been approved by the Board of Supervisors, an appropriation of $1,412,716 is included in the FY 2002-2003 DPW budget to cover the estimated DPW expenses in FY 2002-2003. In addition, the FY 2002-2003 budget included two technical adjustments approved by the Board of Supervisors, which appropriated a total of $3,120,905 of the projected new street space occupancy fees and assessment revenues. Of this $3,120,905 appropriation, $741,370 was appropriated for additional DPW expenditures and $2,379,535 was appropriated to fund other General Fund expenditures. Therefore, the total projected revenues of $4,533,621 from the subject legislation have been appropriated in the FY 2002-2003 budget.

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[3] According to Mr. Malamut, the fee assessed for occupation of the public right of way should not exceed the fair market value of such property. According to Ms. Olson, the $40 per month charge ($10.45 plus $29.55) is below the market value for street space, which DPT estimates at $198 per month (average monthly revenue DPT receives from a parking meter is $9 per day x 22 days per month = $198).

According to Ms. Pamela Levin of the Controller's Office, of the $4,533,621 appropriation based on the projected revenues to be generated from the proposed new fees, $3,156,890 of expenditures have been placed on reserve by the Controller in the FY 2002-2003 budget, pending approval of the subject legislation.

7. According to the Office of the Sponsor, the intent of the subject ordinance is to encourage contractors to reserve the minimum amount of on-street parking required for construction projects in order to provide the maximum on-street parking to the public. Traffic Code, Section 33.1 and Public Works Code, Section 724 do not allow permit holders to park any vehicles in the reserved spaces. Under the proposed ordinance, these provisions would not change. However, as noted above in Comment 2, such parking restrictions are currently not enforced. Under the proposed ordinance, additional enforcement and towing of illegally parked permit holder vehicles would be implemented. As shown in Attachment II to this report, the FY 2002-2003 budget includes an additional 2.5 FTEs (2 Street Inspectors and a .5 Senior Clerk Typist) for such enforcement.

8. The Budget Analyst notes that street space occupancy fee and occupancy assessment revenues are likely to be less than the total estimated revenues of $4,533,621 in FY 2002-2003 if increased enforcement and towing of permit holders' vehicles result in decreased demand for street space occupancy permits.

9. According to Ms. Olson, DPW's revenue projections anticipate constant demand for street space occupancy permits. However, Ms. Olson states that DPW cannot accurately estimate with certainty the impact that the increased fees and the additional enforcement will have on the demand for street space permits. Mr. Rosenfield agrees with the Budget Analyst that the deterrent effect of the proposed legislation may affect revenue collection. Mr. Rosenfield states that the Mayor's Budget Office will work with DPW and the Controller to monitor actual revenue collections during the course of the fiscal year and adjust spending levels should such adjustments be required. Therefore, the Budget Analyst recommends

that in April of 2003 the Board of Supervisors review the actual revenues collected for the six months ended March 31, 2003 (the new fees begin October 1, 2002).

Recommendations:

1. Direct DPW to report to the Board of Supervisors on the status of the revenue collections and related expenditures in April of 2003.

2. Although it should be noted that the City' FY 2002-2003 budget was approved based on the implementation of the proposed fees, approval of the subject ordinance is a policy matter for the Board of Supervisors.

Attachment I

Summary of Existing Fees and Proposed Street Space Fees

	Street Space	Long-Term Additional Street Space Occupancy for Building Construction (1)	Short-Term Additional Street Space Occupancy for Building Contruction (2)	Street Space Occupancy for other than building projects	Revenues FY 2001-02 Actuals	Revenues FY 2002-03 Projected (2)
Existing Fees	1/10 of 1% of the Value of the Construction Project	In areas zoned to allow buildings 80 feet in height or greater $40 per sq ft annually. In areas zoned for buildings less than 80 feet in height $10 per sq ft annually.	In areas zoned to allow buildings 80 feet in height or greater $40 per sq ft annually. In areas zoned for buildings less than 80 feet in height $10 per sq ft annually.	$30 daily fee	1,300,000	1,600,000
Proposed Fees	$10.45 per month per month per 20 linear feet - Street Space fee and $29.55 per month per 20 linear feet for Right of Way Assessment for a total of $40 per month per 20 linear feet.	$353 every 6-months to cover DPW's costs. For In areas zoned to allow buildings 80 feet in height or greater $10 per sq ft monthly. In areas zoned for buildings less than 80 feet in height $4 per sq ft monthly.	$50 daily fee	$50 daily fee		4,133,621
Percent Increase	Approximately 287% after converting existing fees to per space per month averages.	200% and 380% respectively for existing fees.		67%		

Notes:

(1) Fees established through DPW Orders as permitted in Public Works Code Section 724.8

(2) Assumes 9-months of collection at proposed rates. 3-month projections at existing rates = $400,000 for a total Street Space projected FY 2002-03 revenues of $4,533,621.

Attachment II

Total Additional Labor and Non-labor Costs
Expanded Street Space Management Program

Inspection Labor

Class	Title	Quantity	Annual Salary @ Step 5 + MFBs	FTE	Total
6230	Street Inspector	2	$74,194	2	$148,388
1426	Senior Clerk Typist	1	59,001	0.5	29,501
Inspection Labor Total				**2.5**	**$177,889**

Sign Sales Labor & Database Support

Class	Title	Quantity	Annual Salary @ Step 5 + MFBs	FTE	Total
1426	Senior Clerk Typist	1	59,001	0.5	29,501
Supervision & Sign Sales Labor Total				**0.5**	**$29,501**

Total - DPW Labor Estimate	**3.0**	**$207,389**	
Overhead 02019 Dept OH at 18.31%		**$37,973**	
Overhead 02029 Division OH @ 27.61%		**$57,260**	
DPT (1408 Pr. Clerk and OH @ 45.92%)	**0.25**	**$23,426**	
COWCAP @ 19.84%		**$116,613**	
City Wide overhead cost allocation plan			
COWCAP on Existing Street Space Staff		**$75,467**	
Total Labor + Overhead			**$518,129**

Non-Labor

Application Development	$104,000	
Hardware and Software	61,000	
Annual Maintenance	30,800	
Total Information Systems		**$195,800**

Equipment	Qty	Amount	Total	
Trucks	2	22,000	44,000	
Total Equipment	**2**			**$44,000**

Materials and Supplies				
Cell Phones	2	$125	$250	
Digital Cameras	2	500	1,000	
Building Placards	3,000	2	6,000	
Total Materials and Supplies				**$7,250**

Total New Program Costs	$	765,179
Total Existing Program Costs	$	679,934
Total Program Costs	$	1,445,113

Source: DPW, July 26, 2002
Contact: Ms. Tina Olson

Item 2 - File 02-1184

Department:	Airport
Item:	Resolution approving a new lease between See's Candies, Inc. and the City and County of San Francisco, acting by and through its Airport Commission, for See's Candies, Inc. to operate a candy store in the North Terminal of the Airport.
Location:	North Terminal of the Airport
Purpose of Lease:	The proposed new lease would provide approximately 900 square feet of space in the North Terminal for See's Candies to operate a candy store and two mobile carts, all selling candy.
Lessor:	City and County of San Francisco, acting by and through its Airport Commission.
Lessee:	See's Candies, Inc.
No. of Sq. Ft.:	Approximately 900 square feet of space. This includes the use of 600 square feet of permanent retail space near Boarding Area F (the "in-line store") and 150 square feet each for two mobile carts, or a total of 300 square feet. The carts are self-contained, non-motorized carts selling a limited selection of the candy available in the permanent store, to be set up in the North Terminal Hub and at Boarding Area F. This is the same amount of space leased by ABC Cigar, the current tenant selling See's candy as a distributor in the North Terminal.

Annual Rent Payable by See's Candies, Inc. to the Airport: The proposed lease would require See's Candies, Inc. to pay to the Airport the greater of either the Minimum Annual Guarantee of $850,000 for each year of the five year lease term (adjusted by the percentage increase in the Consumer Price Index), or a percentage of the lessee's gross revenues as follows:

(a) 12 percent of gross revenues achieved up to and including $500,000; plus
(b) 14 percent of gross revenues achieved from $500,000.01 up to and including $1,000,000; plus
(c) 16 percent of gross revenues achieved over $1,000,000.

These percentages of gross revenue are the same as those required to be paid under the prior lease held by ABC Cigar.

Term of Lease: The term of the lease is five years. The prior lease for the North Terminal Candy Store, held by ABC Cigar, was also five years. According to Ms. Patricia Maitland of the Airport, commencement of the lease is contingent on Board of Supervisors approval, execution of the lease by the Airport Director and acceptance of the premises by the potential tenant.

Right of Renewal: None

Utilities and Janitor Provided by Lessor: The Lessee pays for the costs of all utilities and janitorial services. The prior lease, held by ABC Cigar, also required the lessee to pay for these costs.

Tenant Improvements: See's Candies, Inc. would be required to invest a minimum of $250 per square foot to refurbish, redecorate, and modernize the interior and exterior of the subject permanent store space. This represents an investment of $150,000 for the 600 square foot store. The two mobile carts are not included in the improvement requirements, but their design is subject to the approval of the Airport. In the prior lease, held by ABC Cigar, the tenant was also

required to invest a minimum of $150 per square foot for the permanent store.

Description:

The proposed resolution would authorize a new five-year lease of 900 square feet to See's Candies, Inc. to accommodate a permanent store and two mobile carts selling candy in the North Terminal. On July 17, 2001, the Airport Commission adopted a resolution awarding the North Terminal Candy Store Lease to See's Candies, Inc. (Resolution No. 01-0246) after a competitive bidding process (see Comment 1). According to Ms. Maitland, the prior tenant, ABC Cigar, also leased approximately 900 square feet of space, and had been selling See's brand candies as a distributor of See's Candies. Due to retirement of its owner, ABC Cigar did not submit a bid to renew their lease, which expired on December 18, 2001. Ms. Maitland explains that See's Candies, Inc. has been operating the two candy mobile carts under a 30-day revocable operating agreement since April 1, 2002. Operation of the permanent store will not begin until the proposed lease is approved by the Board of Supervisors. Attachment I to this report is a memorandum from Ms. Maitland showing a summary of milestones for the See's Candies lease.

Comments:

1. According to Ms. Maitland, in May of 2001, the Airport issued Invitations to Bid to 170 firms, and nine potential bidders attended the Airport's pre-bid conference for further information on the concession and the bidding process. Three firms submitted Minimum Annual Guarantee bids as was required by the Airport. The percentage rents of gross revenues payable by the lessee were set by the Airport and were therefore the same percentages for all bidders. Of the three bidders, See's Candies, Inc. proposed the highest Minimum Annual Guarantee of $850,000 annually. The other bidders, DeLaVe-Vergilio and Ethel M, submitted bids with Minimum Annual Guarantees of $727,299.99 and $425,000, respectively. Attachment II to this report is a memorandum from Mr. Martin listing the Minimum Annual Guarantee bids.

2. According to Ms. Maitland, under the prior lease, ABC Cigar occupied 900 feet of space, including 600 feet of

permanent retail space and 150 feet for each of two mobile carts, or 300 square feet in total, for which ABC Cigar paid the greater of a Minimum Annual Guarantee of $624,00 per year over the five-year term of the lease adjusted annually by the Consumer Price Index, or the sum of (a) 12 percent of revenues up to $500,000, (b) 14 percent of revenues from $500,000.01 to $1,000,000, and (c) 16 percent of revenue over $1,000,000, which are the same percentages of gross revenues required under the proposed lease. Further, as noted above, the proposed lease, for the same amount of space, requires See's Candies, Inc. to pay a Minimum Annual Guarantee of $850,0000. The proposed Minimum Annual Guarantee represents an increase of $226,000 annually, or an increase of 36.2 percent over the previous Minimum Annual Guarantee of $624,000. Under the proposed lease, See's Candies' gross revenues would need to exceed $5,500,000[1] per year in order for the Airport to receive percentage rent instead of the Minimum Annual Guarantee of $850,000.

3. Ms. Maitland further explains that ABC Cigar exceeded the Minimum Annual Guarantee and paid percentage rent based on their gross revenues in each of the last five years, with the exception of 2001, when air travel dropped significantly due to the events of September 11. However, the amount of percentage rent paid by ABC Cigar never exceeded the Minimum Annual Guarantee (MAG) of $850,000 under the proposed lease with See's Candies, Inc. The following table lists the actual amount of rent paid to the Airport by ABC Cigar in each of the past five calendar years:

[1] $5,500,000 was calculated in the following manner: first $500,000 gross revenues realized by the proposed lessee at 12 percent ($60,000), plus second $500,000 gross revenues realized by the proposed lessee at 14 percent ($70,000), plus gross revenues over $1,000,000 totaling $4,500,000 realized by the proposed lessee at 16 percent ($720,000). $60,000 plus $70,000 plus $720,000 equals the Minimum Annual Guarantee of $850,000.

Year	Type of Rent Paid	Actual Rent Paid by ABC Cigar
1997	Percentage Rent	$634,989
1998	Percentage Rent	$656,120
1999	Percentage Rent	$656,016
2000	Percentage Rent	$626,910
2001	MAG	$624,000

4. The Budget Analyst notes that the subject lease with See's Candies, Inc. would be modified by Item 3, File 02-1230, of this report to the Finance Committee. Under File 02-1230, the Minimum Annual Guarantee on the North Terminal Candy Store Lease would be suspended until passenger departures return to 85 percent of the year 2000 level for two consecutive months, and See's Candies would be granted the option to extend this lease by five years, exercisable one year prior to the end date of the subject lease. An analysis of the modified provisions of the See's Candies lease and the other Airport leases is contained in Item 3, File 02-1230.

Recommendation: Approve the proposed resolution.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

MEMORANDUM

TO: Matthew Stokes
Budget Analyst Office

DATE: July 19, 2002

THROUGH: Patricia Maitland

FROM: Sharon Perez

SUBJECT: See's Candies Timeline – North Terminal Candy Store Lease

Below is a summary of milestones for the North Terminal Candy Store Lease

Bid Opening	June 28, 2001
Award of Lease to See's	July 17, 2001
Resolution submitted to B/S	August 15, 2001
B/S requires new format	August 28, 2001
WTC Attacks	September 11, 2001
B/S notifies Airport that Resolution needs change	September 18, 2001
Resolution resubmitted	September 26, 2001
See's attempts to withdraw bid and B/S package is pulled	September 27, 2001
Correspondence exchanged and meetings conducted	October 2001 – Jan 2002
Concession Support Program approved by A/C	February 19, 2002
See's commence operation under 30-day permit	April 1, 2002
Resolution resubmitted to J. Caramatti	June 12, 2002

See's Candies currently operates two candy carts in Terminal 3, while undergoing the Design Review Process for the retail facility under a permit (PAC 3600). See's Candies will execute the North Terminal Candy Store Lease upon Board of Supervisors approval of the Concession Support Program.

San Francisco International Airport

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MEMORANDUM

July 17, 2001

TO: AIRPORT COMMISSION
Hon. Henry E. Berman, President
Hon. Larry Mazzola, Vice President
Hon. Michael Strunsky
Hon. Linda S. Crayton
Hon. Caryl Ito

FROM: Airport Director

SUBJECT: Award of the North Terminal Candy Store Lease

DIRECTOR'S RECOMMENDATION: AWARD THE NORTH TERMINAL CANDY STORE LEASE TO SEE'S CANDIES, INC. AND APPROVAL OF MONTH-TO-MONTH LEASE HOLDOVER FOR ABC CIGAR.

Background

By Resolution No. 01-0125, adopted April 17, 2001, the Commission approved the lease specifications and authorized staff to accept bids for the North Terminal Candy Store Lease.

On June 28, 2001, Airport staff received bid submittals for the North Terminal Candy Store Lease.

Bidder	**Amount**
See's Candies, Inc.	$850,000.00
DeLaVe-Vergilio	$727,299.99
Ethel M	$425,000.00

The highest successful bidder is See's Candies, Inc. Airport staff has reviewed the bid submittals and has determined that See's Candies, Inc. meets the minimum qualifications.

Members, Airport Commission
July 17, 2001
Page 2

The current lease for the North Terminal Candy Store, to ABC Cigar, Inc, will expire on December 18, 2001. Due to high candy sales during the holiday season, ABC Cigar agreed to remain operational through the holiday season and provide this service to passengers.

Recommendation

I recommend adoption of the accompanying resolution that awards the North Terminal Candy Store Lease to See's Candies, Inc. and approval of month-to-month lease hold-over for ABC Cigar.

John L. Martin
Airport Director

Prepared by: Bob Rhoades

Item 3 – File 02-1230

Department: Airport

Item: Resolution approving the modification of 43 Airport leases under the Airport's Concession Support Program.

Terms of Leases: Attachment I, provided by the Airport, contains a schedule of the location, square footage, Minimum Annual Guarantee and percentage of gross revenues payable as rent to the Airport, start date, end date, right of renewal, tenant improvement requirements, and utilities and janitorial responsibility provisions of each of 43 leases that are included in the Concession Support Program.

Description: This proposed resolution would approve the Airport's Concession Support Program in order to assist Airport concession lessees that have seen a decline in business due to reduced levels of air travel since the events of September 11, 2001. The Airport's Concession Support Program contains the following provisions:

1. Minimum Annual Guarantee Suspensions. Most concession leases with the Airport require the tenant to pay either a percentage of their annual gross revenues or a Minimum Annual Guarantee (MAG), whichever is greater. The percentage rent varies by lease, as required by the Airport. The MAG is determined through the Airport's competitive bid process, and the lessee pays the Airport the greater of their MAG bid or the set percentage of gross revenues. Under the Airport's proposed Concession Support Program, the MAG for 27 of the subject 43 leases would be suspended, 26 of which have start dates in 1998 or later. (One lease, held by SmarteCarte, began in 1990 as explained below.) These 27 lessees would pay the Airport rent based on a percentage of their gross revenues, even if the percentage of gross revenues rent is less than the rent that would be owed to the Airport based on the previously approved MAGs required under the leases. The MAG provisions specified in each of the concession leases would be reinstated when the number of passenger departures per month are at or above 85 percent of the number of passenger departures in the same month from January

through December of 2000 for two consecutive months. For example, if the number of passenger departures in November and December of 2002 are both at least 85 percent of passenger departures in November and December of 2000, respectively, then the MAG provisions would be reinstated, effective December, 2002. These 27 leases are identified in Attachment I, along with the balance of 16 of the 43 leases that would not be relieved of their MAG requirements. These 16 leases include 15 Food and Beverage leases in the International Terminal that, as previously approved, have low MAGs and generally pay percentage rent based on gross revenues, and one lease with the Bank of America, which did not receive a MAG suspension because the Airport considers it a "passenger service," which was not included in the MAG suspension provision, according to Mr. David Pfeiffer, Associate Deputy Director of Revenue Development at the Airport.

In addition to these 43 leases, the Airport has 16 other leases that are not covered by the proposed resolution because those leases were executed prior to 1998. According to Mr. Pfeiffer, the Airport decided to include in its Concession Support Program only those lessees whose leases began in 1998 or later, except for the SmarteCarte lease as explained below.

2. Option to Extend Lease. Under the proposed resolution, 42 of the 43 lessees in the Concession Support Program would be granted the option to extend their current lease by five years beyond the current terms of the lease. This option must be exercised at least one year prior to the termination date of the current lease. According to Mr. Pfeiffer, one lessee, SmarteCarte, which holds the baggage locker and over-the-counter baggage lease, would not be granted an option to extend their lease for five years because the lease began in 1990, 8 years before the Airport's 1998 cut-off date for participation in the Concession Support Program. Under the proposed resolution, the SmarteCarte lease would be granted a MAG suspension because the Federal Aviation Administration shut down all airport locker services nationwide indefinitely as a security measure.

3. In addition to the above two lease modifications (suspension of MAG and option to extend leases), six of the subject lessees (holding a total of eight leases) would have the following special conditions:

(a) DFS Group, LLP Duty Free and Duty Paid lease modification. DFS Group, LLP holds the Post-Security[1] Master Retail Lease, which includes operation of the Airport's duty-free shop in the International Terminal. The lease also allows DFS to subcontract with Disadvantaged Business Enterprises for duty-paid leases. The duty-free shop sells goods without paying US customs duties or taxes to passengers departing the country, and the duty-paid shops sell normally taxed goods to any customer at the Airport. The duty-free and duty-paid shops are subject to a single MAG of $26,100,000 annually. Under the current lease, DFS pays the greater of either $26,100,000 annually or (a) 15 percent of all duty-free revenues up to $50,000,000; plus (b) 20 percent of all duty-free revenues between $50,000,000 and $100,000,000; plus (c) 25 percent of duty-free revenues above $100,000,000; plus (d) 12 percent of all duty-paid revenues up to $50,000,000; plus (e) 14 percent of all duty-paid revenues between $50,000,000 and $100,000,000; plus (f) 16 percent of duty-paid revenues above $100,000,000. According to Mr. Pfeiffer, rent paid by DFS has not exceeded the MAG during the term of the current lease, which began in December of 2000.

Under the Airport's proposed Concession Support Program, the MAG for the duty-free shop would be suspended until December 31, 2002, or until gross revenues at the duty-free shop exceed $5,000,000 for two consecutive months, whichever comes first. While the MAG is suspended, the duty-free shop would pay rent of 30 percent of all gross revenues, which is an increased percentage from the existing percentages as noted above. If the MAG for the duty-free shop is reinstated before the MAG for the duty-paid shop (see

[1] "Post-Security" refers to concessions in locations that can only be reached by passengers who have already gone through the security screening checkpoint. Since September 11, 2001, only ticketed passengers may pass through the security checkpoints.

provision below), the MAG for the duty-free shop will be $23,490,000 annually, or 90 percent of the total MAG of $26,100,000. Once both the duty-free and duty-paid MAGs are reinstated, the total MAG will return to the original level of $26,100,000.

The MAG for the duty-paid shop would be suspended until monthly passenger departures exceed 85 percent of the number of departures in the same month in 2000 for two consecutive months. While the MAG is suspended, the duty-paid shop would pay percentage rent as specified in the existing lease, at the sum of (a) 12 percent of all duty-paid revenues up to $50,000,000; plus (b) 14 percent of all duty-paid revenues between $50,000,000 and $100,000,000; plus (c) 16 percent of duty-paid revenues above $100,000,000. If the MAG for the duty-paid shop is reinstated before the MAG for the duty-free shop, the MAG for the duty-paid lease will be set at $2,610,000 annually, or 10 percent of the total MAG of $26,100,000.

According to Mr. Pfeiffer, the DFS lease for duty-free and duty-paid retail services was designed with the lessee paying the greater of a large MAG of $26,100,000 annually, or percentage rent of the sum of (a) 15 percent of revenue up to $50,000,000, plus (b) 20 percent of revenues between $50,000,000.01 and $100,000,000, plus (c) 25 percent of revenues above $100,000,000. Mr. Pfeiffer explains that given that current gross revenue levels for the duty-free shop are below $50,000,000 annually, when the MAG was suspended, rent payable would have dropped to 15 percent of total revenues, remaining in the lowest tier of the percentage rent scale. This would reduce revenue for the Airport from the MAG of $26,100,000 to below $7,500,000 annually, based solely on 15 percent of gross revenues below $50,000,000. Mr. Pfeiffer explains that the renegotiated percentage rent of 30 percent on DFS sales of duty-free goods will generate more revenue for the Airport than just suspending the MAG and leaving the current percentage rent structure in place, while still providing DFS with some relief due to lower passenger traffic. Mr. Pfeiffer adds that this lessee was given an

explicit date for reinstatement of the prior MAG because international leisure travel from Asia, which is the duty-free shop's primary market, may not return to 2000 levels even if the overall number of passenger departures does return to 85% of 2000 levels, and the Airport cannot forego the significant revenue generated by the duty-free lease indefinitely. Mr. Pfeiffer explains that the duty-paid portion of the DFS contract covers Disadvantaged Business Enterprises subcontracting under DFS. The Concession Support Program would treat these duty-paid shops like the typical retail concessions, suspending the MAG and tying reinstatement to passenger traffic returning to 85 percent of 2000 levels.

The differing reinstatement conditions may result in the MAG for either the duty-free or duty-paid portion of the DFS lease being reinstated while the other remains suspended. According to Mr. Pfeiffer, in order to plan for this contingency, the Airport used past sales by the duty-free and duty-paid stores to establish separate MAGs for each. Mr. Pfeiffer explains that the Airport determined that the duty-free shop represents 90 percent of sales, while the duty-paid stores represent only 10 percent of sales, and therefore set the duty-free MAG at $23,490,000, or 90 percent of the total MAG of $26,100,000, and set the duty-paid MAG at $2,610,000, or 10 percent of the total MAG. These MAGs will only be used if either the duty-free or duty-paid MAG is reinstated, while the other remains suspended, and the total MAG for the DFS lease will return to $26,100,000 once both the duty-free and duty-paid MAGs are reinstated.

(b) Travelex Percentage Rent Structure Modifications. Travelex holds three leases at the Airport: two for Automated Teller Machines (ATMs) and one for Foreign Currency Exchange Services. These leases are structured differently from retail leases, and therefore, the proposed Concession Support Program treats these three leases differently. For each of the ATM leases (Lease A and Lease B), the existing lease sets rent at a MAG of $240,500 for each lease, plus 33 percent of transaction surcharges, plus $0.10 per customer use.

The proposed resolution would change the rent structure temporarily to be strictly based on percentages of the fees charged. The annual rent for each lease would be the sum of (a) 35 percent of all fees for the first 32,000 transactions, plus (b) 50 percent of all fees for the 32,000th to the 50,000th transaction, plus (c) 60 percent of all fees for transactions beyond the 50,000th. From January through June of 2002, the ATMs covered under Lease A handled 27,087 surchargeable transactions, and those covered by Lease B handled 15,569 surchargeable transactions. The MAG for the ATMs would be suspended until monthly passenger departures exceed 85 percent of the number of departures in the same month in 2000 for two consecutive months.

For Travelex's Foreign Currency Exchange Lease, the existing lease does not include a percentage rent structure, but sets rent at a MAG of $4,127,500 annually or $0.88 per international passenger departure. The proposed resolution would suspend the MAG until December 31, 2002 but would continue to require the $0.88 per international passenger departure. No percentage rents would be required.

Mr. Pfeiffer explains that because of the unique nature of the businesses Travelex conducts at the Airport, including the operation of Automatic Teller Machines and Foreign Currency Exchanges, Travelex did not have a percentage rent structure in its leases with the Airport, and so the normal provisions of the Concession Support Program would not apply. The proposed program therefore establishes a percentage rent structure for each of Travelex's leases, enabling an alternative mechanism for determining rent while the current MAG is suspended. Rent payable for the Foreign Currency Exchange lease would be $0.88 per international passenger departure. The annual rent for each ATM lease would be the sum of (a) 35 percent of all fees for the first 32,000 transactions, plus (b) 50 percent of all fees for transactions 32,001 to 50,000 plus (c) 60 percent of all fees for transactions beyond 50,000. Travelex rent payments to the Airport on its

ATM leases during the Concession Support Program, which has already been implemented, have been only 15 percent of what they would have been were the MAG not suspended. Mr. Pfeiffer attributes these low rent revenues for the Airport to particularly low gross revenues generated by Travelex.

(c) Post-Security Food/Beverage Operators. The proposed program would change the percentage rent formula for three restaurants that are located beyond the passenger security screening checkpoint in the new International Terminal, namely, Andale SFO, D. Mitchell Concessions dba Harry Denton's, and Gotham Foods Two LLC dba Firewood Café, in order to match the percentage rent formula for other restaurants in the International Terminal. The current lease provision for percentage rent is the sum of (a) 12 percent of gross revenues up to and including $600,000, plus (b) 14 percent of gross revenues between $600,000.01 to $1.5 million, plus (c) 16% of gross revenues over $1.5 million.

The proposed resolution would authorize the Airport to change the formula for percentage rent for all three restaurant leases to the sum of (a) six percent of gross revenues up to and including $1,000,000, plus (b) eight percent of gross revenues between $1,000,000.01 to $1.5 million, plus (c) 10 percent of gross revenues over $1.5 million.

Mr. Pfeiffer explains that the Concession Support Program would alter the percentage rent formulae for three post-security food and beverage concessions, bringing them in line with other restaurants in the International Terminal. Mr. Pfeiffer further explains that these concessions originally anticipated that profitable alcohol sales would comprise 70 percent of their business, while less profitable food sales would comprise 30 percent, and their leases were written accordingly. According to Mr. Pfeiffer, these three establishments were already receiving substantially less than 70 percent of their sales from alcohol before September 11, 2001. Mr. Pfeiffer further explains that after this date, only ticketed passengers could go past

the security checkpoints to these restaurants, and that the amount of alcohol sold in the International Terminal has dropped even further. The Concession Support Program will change their percentage rent structure to match with other establishments that primarily serve food, rather than alcohol.

The Budget Analyst notes that the changes to the Post-Security Food and Beverage Operator leases would be permanent, with no sunset date and no reinstatement of the current lease terms once air passenger travel returns to 2000 levels.

(d) Clear Channel Airport Advertising Lease. The proposed resolution would approve the Airport's plan to increase the MAG schedule for the Airport Advertising Program Lease held by Clear Channel to include a set annual MAG for each year. Under the current lease, Clear Channel pays the greater of either the MAG of $4,050,000, adjusted annually by the Consumer Price Index, or 70 percent of gross revenues, whichever is greater. The MAG for this lease has already been temporarily suspended by the Airport under the proposed Concession Support Program, and Clear Channel has been paying the Airport 70 percent of gross revenues only. Under the proposed resolution, the MAG would be reinstated, and Clear Channel would resume payments of the greater of the $4,050,000 MAG, or 70 percent of gross revenues. However, instead of adjusting the MAG by the Consumer Price Index, the proposed program would set the MAG for future years as follows: The MAG would be set at the greater of 85 percent of the previous year's rent paid, or $4,100,000 for Lease Year 2; $4,200,000 for Lease Year 3; $4,300,000 for lease year 4; and $4,800,000 for lease year 5. This results in an increased MAG provision for the Airport. Contrary to the other leases whose rent obligations are being relieved, Clear Channel's rent would increase because Clear Channel requested additional advertising space near the baggage carousels. In addition, Clear Channel would receive the option to extend the lease by five years, exercisable at least one year prior to termination of the lease.

According to Mr. Pfeiffer, the provision of the Concession Support Program, establishing a new schedule of yearly MAGs for the Airport Advertising Lease held by Clear Channel, reinstates the MAG for this lease, which had been suspended temporarily. Mr. Pfeiffer explains that the new MAG schedule increases the required rent payable to the Airport by Clear Channel in exchange for allowing 16 additional locations for advertising space near the baggage carousels and changing locations for an additional 31 advertising spaces. Over the course of five years, the MAG would increase to $4,800,000, or 18.5 percent, over the current MAG of $4,050,000.

Comments:

1. According to Ms. Mara Rosales of the City Attorney's Office, the Airport's proposed Concession Support Program has already been implemented by the Airport on a temporary basis, retroactive to September 11, 2001, in order to respond to what the Airport Commission viewed as a crisis situation. The proposed resolution would authorize the Airport Commission to formally continue the Airport's Concession Support Program. Attachment II to this report is a memo from Ms. Rosales explaining this matter. The proposed resolution should be amended to provide for retroactivity to September 11, 2001.

2. According to Mr. Pfeiffer, the Concession Support Program was negotiated between the Airport and the 43 lessees identified in Attachment I in response to the decrease in air travel after events of September 11, 2001. Mr. Pfeiffer explains that the lessee concessionaires requested relief due to reduced passenger traffic. Mr. Pfeiffer notes that three lessees have already closed stores at the Airport since September 11, 2001, prior to the completion of their current lease agreements, namely, CalStar, Inc. closed a wine store and a candy store, Western Motive closed a health food/drug store and a leather goods store, and Esprit closed a clothing store. Attachment III to this report is a memorandum from Mr. Leo Fermin, Associate Deputy Director of Finance at the Airport, further explaining the Airport's Concession Support Program.

3. Mr. Pfeiffer explains that passenger traffic in 2002 is still below 2000 levels, and adds that because it is difficult to predict when passenger traffic will increase again, the Airport Commission did not set a fixed sunset date for the MAG suspensions. Mr. Pfeiffer explains that after discussions with the affected lessees, the Airport tied reinstatement of the MAGs to the return of passenger departures to 85 percent of the 2000 level for two consecutive months in the terminal where the concession is located. According to Mr. Pfeiffer, total passenger departures in May of 2002, the most recent month for which the Airport could provide statistics, were 22.8 percent lower than in May of 2000, ranging from 29.2 percent below 2000 levels in Domestic Terminal 1 to 5.3 percent below 2000 levels in the International Terminal. Attachment V to this report is a schedule providing passenger traffic data from the Airport for the period of January 1, 2000 through May 31, 2002. Mr. Pfeiffer projects that passenger traffic will reach 85 percent of 2000 levels during FY 2002-2003, but that a full recovery to 2000 levels may take four to five years. The Budget Analyst recommends that the Board of Supervisors request the Airport Director to submit a written report back to the Board of Supervisors on April 1, 2003, detailing the status of passenger traffic levels and its impact on the 43 subject leases.

4. According to Mr. Fermin, the Airport budget for FY 2002-2003 was adopted under the assumption that the Concession Support Program would be approved by the Board of Supervisors. Therefore, the budgeted concession revenues have been reduced accordingly. Attachment IV to this report, provided by Mr. Pfeiffer, is a schedule of the actual annual gross revenue and annual rent paid by each of the 43 lessees for each calendar year from 1999 to May of 2002.

5. As explained by Mr. Fermin in Attachment III to this report, the Airport determined that MAGs would be reinstated when passenger enplanements return to 85 percent of the amount of air passenger traffic in calendar year 2000. Mr. Fermin explains that calendar year 2000 was selected as the comparison year because it was not affected by the economic downturn and the "dot.com bust"

that contributed to declines in air travel in 2001. Based on analysis of monthly enplanement levels provided by the Airport and included as Attachment V to this report, total enplanements at the Airport in 2001 were 14.0 percent lower than total enplanements in 2000. Average monthly enplanements from January through August of 2001 were 7.7 percent lower than average monthly enplanements from January through August of 2000, while average monthly enplanements from September through December of 2001 were 26.4 percent lower than average monthly enplanements from September through December of 2000. For January through May of 2002, average monthly enplanements were 22.7 percent lower than January through May of 2001. These statistics suggest that while the events of September 11, 2001 have clearly exacerbated the economic downturn, some portion of the economic downturn was occurring prior to that date, and air passenger traffic levels were already declining.

In the professional judgment of the Budget Analyst, in contrast with the events of September 11, 2001, the economic downturn prior to that date could be viewed as an accepted risk of doing business that all businesses face. Therefore, the Budget Analyst suggests that the Finance Committee may want to consider, as a policy option, changing the comparison year such that MAGs are reinstated if monthly passenger departures reach 85 percent of the levels for the same month from September, 2000 through August, 2001 for two consecutive months, instead of using January, 2000 through December, 2000 as the baseline.

6. Using statistics provided by Mr. Pfeiffer, the Budget Analyst calculates that for the eight-month period from October 1, 2001 through May 31, 2002, during which the Concession Support Program has been previously implemented, the Concession Support Program has resulted in reduced rent of $18,185,072 to the Airport from the subject 43 concessionaires, as a result of suspending the MAG requirements, resulting in an average monthly rental reduction of $2,273,134. On an annual basis, this would represent a reduction in rent of $27,277,608. However, this estimate may overstate the

lost rent to the Airport, because in the absence of the Airport's Concession Support Program, some of the concessions at the Airport might be unable to pay their rent, based on the existing MAG. Attachment VI to this report is the Airport's forecast of concession revenues for the Airport's 59 leases (43 covered by this resolution and 16 not included under this resolution), assuming the Concession Support Program remains in effect. The Airport could not provide revenue projections limited just to the 43 subject lessees covered by the proposed Concession Support Program, but according to Mr. Fermin, the Airport expects that in FY 2002-2003, revenues for the subject 43 leases will increase slightly over those reported for FY 2001-2002.

7. Mr. Pfeiffer explains that the proposed five-year lease extensions are intended to allow more time for the lessees to recoup initial investments for leases that started in 1998 or later. Mr. Pfeiffer could not provide an estimate of the revenue impact of granting five-year extensions instead of conducting a new competitive bid process, but explains that since September 11, 2001, the market value of Airport concession leases has dropped, and that if the current lessees were not granted the five-year option to extend their leases, a new competitive bidding process for the expiring leases might result in bids which generate less revenue to the Airport. The Budget Analyst notes that most of the leases for which the Concession Support Program grants five-year options do not expire until 2005, and many do not expire until 2010, when air passenger traffic may have returned to levels that would make Airport concession leases economically attractive again. Therefore, conducting competitive bidding processes for such leases may increase revenues for the Airport when the current leases expire. Therefore, the Budget Analyst recommends that the Airport amend the proposed Airport Concession Support Program Agreement to delete the provision granting five-year options to extend the subject leases, and instead provide for term extensions on a month-to-month basis, not to exceed five years, in order that the Airport may conduct new competitive bidding processes when, in the Airport's judgment, such new competitive bidding would be feasible.

Recommendations:

1. Amend the proposed resolution to provide for retroactivity to September 11, 2001, in accordance with Comment No. 1.

2. Request the Airport Director to submit a written report to the Board of Supervisors on April 1, 2003, detailing the status of passenger traffic levels and its impact on the subject 43 leases, in accordance with Comment No. 3.

3. In accordance with Comment No. 5, as a policy option, the Finance Committee may want to consider amending the proposed resolution to change the year used as the baseline for air traffic levels from calendar year 2000 to the 12 months from September, 2000 through August, 2001, by making the following changes:

   Page 4, lines 8-10, delete: "Reinstates the MAGs once monthly enplanements equal or exceed 85% of the enplanements for the same month in year 2000 for two (2) consecutive months."

   Insert: "Reinstates the MAGs once monthly enplanements equal or exceed 85% of the enplanements for the same month in the one-year period from September, 2000 through August, 2001 for two (2) consecutive months."

4. In accordance with Comment No. 7, amend the proposed resolution to delete the provision granting all concessions options to extend leases by five years, and instead provide for lease term extensions on a month-to-month basis until such leases, in the judgment of the Airport, can be competitively bid, by making the following changes:

   Page 4, Lines 18-19, delete: "Grants to the following tenants an option permitting them to extend the terms of their respective leases for one 5-year period due to the significant build-out costs incurred"

   Insert: "Grants the Airport Commission the option to offer the following tenants an extension of the terms of their current lease on a month-to-month basis, which

will continue for no more than five years or until the Airport considers it appropriate to conduct a competitive bid process for the concession covered by the lease, whichever comes first:"

Page 6, Lines 7-8, delete: "Such option would be exercisable by the tenant on or before the date that is one year before the current lease expiration date."

Insert: "Such option would be exercisable by the Airport on or before the date that is one year before the current lease expiration date."

5. Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Attachment I
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Lessee	Lease	Location	Square Feet	Program Suspende MAG?	Program Grants Option to Extend Lease?	Existing Lease Terms: MAG	Percantage Rent	Start Date	End Date	Option to Renew?	Tenant Improvements Requiraments	Tenant Pays Utilities and Janitorial?
LEASES TO RECEIVE MAG SUSPENSIONS AND LEASE EXTENSIONS												
Action Cellular	Cellular Phone Rental Service	Terminal 3, Baggage Claim International Terminal Building	532	Yes	Yes	$100,150	12% of gross revenues up to and including $500,000; plus 14% of gross revenues between $500,000.01 to $1 million; plus 16% of gross revenues over $1 million	6/20/01	6/19/06		$250 per sq. ft. Total. $133,000	Yes
Books Inc	North Terminal Bookstore	Terminal 3, Boarding Area "F"	3,069	Yes	Yes	$1,153,000	12% of gross revenues up to and including $500,000; plus 14% of gross revenues between $500,000.01 to $1 million; plus 16% of gross revenues over $1 million	9/16/00	12/15/05		$150 per sq. ft. Total: $400,350	Yes
Buth-Na-Bodhaige, Inc. dba The Body Shop	Boarding Area "F" Cosmetic an Toiletries	Terminal 3, Boarding Area "F"	1,123	Yes	Yes	$275,001	12% of gross revenues up to and including $500,000; plus 14% of gross revenues between $500,000.01 to $1 million; plus 16% of gross revenues over $1 million	1/7/01	4/6/00		$250 per sq. ft. Total: $280,750	Yes
CalStar Retail, Inc.	Boarding Area "F" Newsstand	Terminal 3, Boarding Area "F"	593	Yes	Yes	$600,271	12% of gross revenues up to and including $1 million; plus 14% of gross revenues between $1,000,000.01 and $1.5 million, plus 16% of gross revenues over $1.5 million	12/9/98	12/8/03		$150 per sq. ft Total $88,950	Yes
CalStar Retail, Inc.	North Terminal Candy Cart/Kiosk	Terminal 3, Boarding Area "E"	125	Yes	Yes	$45,200	12% of gross revenues up to and including $500,000, plus 14% of gross revenues between $500,000.01 and $1 million; plus 16% of gross revenues over $1 million	6/27/98	6/26/03		$250 per sq. ft. Total. $31,250	Yes
Clear Channel Airports	SFO Cyber Room Technology Showcase	Terminal 3, Boarding Area "F"	744	Yes	Yes	$250,000	20%	3/10/02	3/18/05	Two one-year options	$250 per sq. ft. Total $186,000	Yes
Discovery Channel Stores	NIT Nature Theme Store	International Terminal Building	2,238	Yes	Yes	$200,000	12% of gross revenues up to and including $1 million; plus 14% of gross revenues between $1,000,000.01 and $1.5 million, plus 16% of gross revenues over $1.5 million	12/10/00	12/8/05		$150 per sq. ft. Total: $335,700	Yes
Host International, Inc.	North Terminal Concession Opportunity	Terminal 3, Boarding Areas "E" & "F"	5,804	Yes	Yes	$1,200,000	12% of gross revenues up to and including $1 million; plus 14% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	3/30/99	3/29/04		$150 per sq. ft. Total $874,050	Yes
Host International, Inc	Boarding Areas "B" and "C" Bookstores	Terminal 1, Boarding Areas "B" & "C"	2,857	Yes	Yes	$411,171	10% of gross revenues up to and including $1 million; plus 12% of gross revenues over $1 million	4/24/99	4/23/04		$150 per sq. ft. Total: $420,550	Yes
Host International, Inc.	NIT Aviation Store	International Terminal Building	1,350	Yes	Yes	$131,000	12% of gross revenues up to and including 1 million, plus 14% of gross revenues between $1 million and $1.5 million plus 14% of gross revenues over $1.5 million	12/10/00	12/9/05		$150 per sq. ft. Total. $203,400	Yes
Host International, Inc.	North Terminal Hub Principal Retail Concession	Terminal 3, Boarding Area "F"	4,984	Yes	Yes	$2,550,000	12% of gross revenues up to and including $500,000; plus 14% of gross revenues between $500,000.01 to $1 million; plus 16% of gross revenues over $1 million	12/4/01	12/3/06		$150 per sq. ft. Total $747,000	Yes
North Terminal Shines	Shoeshine Service	Terminal 1, Boarding Areas "B" & "C" Terminal 3, Boarding Area "F"	588	Yes	Yes	$5,000	10%	7/1/99	6/30/04		Tenant responsible for providing all supplies, tools and other equipment necessary to conduct business.	Yes

						Existing Lease Terms						
Lessee	Lease	Location	Square Feet	Program Suspends MAG?	Program Grants Option to Extend Lease?	MAG	Percentage Rent	Start Date	End Date	Option to Renew?	Tenant Improvements Requirements	Tenant Pays Utilities and Janitorial?
LEASES TO RECEIVE MAG SUSPENSIONS AND LEASE EXTENSIONS, Continued												
OSI-MB	Boarding Area "F" Executive Writing Instruments	Terminal 3, Boarding Area "F"	300	Yes	Yes	$50,000	12% of gross revenues up to and including $500,000; plus 14% of gross revenues between $500,000.01 to $1 million, plus 16% of gross revenues over $1 million	3/12/02	3/11/07		$250 per sq. ft. Total: $75,000	Yes
Pacific Gateway Concessions, LLC	Boarding Areas "B" and "C" Principal Retail Concession	Terminal 1, Boarding Areas "B" & "C"	6,324	Yes	Yes	$2,178,201	12% of gross revenues up to and including $500,000, plus 14% of gross revenues between $500,000 01 to $1 million; plus 16% of gross revenues over $1 million	6/18/99	6/17/04		$150 per sq. ft. Total $948,600	Yes
Pacific Golf Partners, LLC	New International Terminal Golf Shop	International Terminal, Boarding Area "A"	1,895	Yes	Yes	$225,100	12% of gross revenues up to and including $500,000, plus 14% of gross revenues between $500,000 01 to $1 million, plus 16% of gross revenues over $1 million	12/10/00	12/9/05		$150 per sq. ft. Total $284,250	Yes
Rosedale-Wilsons dba Wilsons Leather	North Terminal Concourse Fine Leather Goods	Terminal 3, Boarding Area "F"	1,250	Yes	Yes	$100,000	12% of gross revenues up to and including $1 million; plus 14% of gross revenues between $1,000,000.01 and $1.5 million, plus 16% of gross revenues over $1 5 million	6/19/01	10/18/06		$250 per sq. ft. Total: $312,500	Yes
See's Candies Inc	North Terminal Candy Store	Terminal 3, Boarding Area "F"	885	Yes	Yes	$850,000	12% of gross revenues up to and including $500,000; plus 14% of gross revenues between $500,000.01 to $1 million; plus 16% of gross revenues over $1 million	TBD	TBD		$250 per sq. ft. Total: $150,000	Yes
SFMOMA	NIT Museum Store	International Terminal Building	2,182	Yes	Yes	$175,000	10%	1/22/01	1/21/08		$150 per sq. ft. Total: $335,700	Yes
SFO Hairport	NIT Hair Salon	International Terminal Building	1,200	Yes	Yes	$12,000	10% of gross revenus plus 15% of lottery sales	7/9/01	7/8/07	Two one-year options	$18,888	Yes
U-Threads	Boarding Area F Collegiate Apparel Lease	Terminal 3, Boarding Area "F"	1,080	Yes	Yes	$60,000	12% of gross revenues up to and including $500,000; plus 14% of gross revenues between $500,000.01 to $1 million, plus 16% of gross revenues over $1 million	8/1/01	7/31/08		$250 per sq. ft. Total: $265,750	Yes
WH Smith Hotel Services	NIT Bookstore/ Café Lease	International Terminal Building	1,795	Yes	Yes	$265,854	10% of gross revenues up to and including $1 million; plus 12% of gross revenues over $1 million	12/18/00	12/17/05		$150 per sq. ft. Total. $269,250	Yes
LEASE TO RECEIVE MAG SUSPENSION ONLY												
Smarte Carte	Public Lockers and Over-the-Counter Baggage	International Terminal Building and Airport-wide	868	Yes	No	$163,814	15%	1/1/90	12/31/06	One five-year option exercised	n/a	Yes

						Existing Lease Terms						
Lessee	Lessor	Location	Square Feet	Program Suspends MAG?	Program Grants Option to Extend Lease?	MAG	Percentage Rent	Start Date	End Date	Option to Renew?	Tenant Improvements Requirements	Tenant Pays Utilities and Janitorial?
LEASES TO RECEIVE LEASE EXTENSION ONLY												
Bank of America	Domestic Banking Services	Terminal 3, Pre-Security, Mezzanine Level	1,148	No	Yes	$272,812	In addition to the MAG, tenant pays to the Airport: (1) 33% of any transaction surcharges, plus (2) $0.10 for each ATM customer use, except those that Transaction Surcharges are applied to.	12/10/00	12/9/06	Two one-year options	$150 per sq. ft. Total: $158,700	Yes
Bayport Concessions LLC dba Willow Street Woodfired Pizza	NIT Food and Beverage	International Terminal Building	875	No	Yes	$35,000	6% of gross revenues up to and including $1 million; plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total. $218,750	Yes
Deli-Up Enterprises, LLC	NIT Food and Beverage	International Terminal, Boarding Area "G"	810	No	Yes	$32,400	6% of gross revenues up to and including $1 million; plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total. $202,500	Yes
D-Low Enterprises dba IlFornaio	NIT Food and Beverage	International Terminal, Boarding Areas "A" & "G"	1,525	No	Yes	$61,000	6% of gross revenues up to and including $1 million; plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total: $381,250	Yes
Ebisu, Inc	NIT Food and Beverage	International Terminal Building	529	No	Yes	$21,160	6% of gross revenues up to and including $1 million; plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	12/9/10		$250 per sq. ft. Total: $132,250	Yes
Emporio Rulli	NIT Food and Beverage	International Terminal Building	652	No	Yes	$41,280	6% of gross revenues up to and including $1 million; plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total: $258,000	Yes
Fung Lum Express, LLC	NIT Food and Beverage	International Terminal Building	659	No	Yes	$26,360	6% of gross revenues up to and including $1 million; plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total: $164,750	Yes
Harbor Airport, LLC dba Harbor Village	NIT Food and Beverage	International Terminal Building	857	No	Yes	$34,280	6% of gross revenues up to and including $1 million, plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total: $214,250	Yes
Lori's Diner International	NIT Food and Beverage	International Terminal Building	857	No	Yes	$34,280	6% of gross revenues up to and including $1 million, plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total. $214,250	Yes
Nidal Nazzal dba Burger Joint	NIT Food and Beverage	International Terminal Building	790	No	Yes	$31,600	6% of gross revenues up to and including $1 million, plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total. $197,500	Yes
Polk-Townsend and Associates dba Café Metro	NIT Food and Beverage	International Terminal Building	720	No	Yes	$28,800	6% of gross revenues up to and including $1 million; plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total: $180,000	Yes
Temokazu Japanese Cuisine (SFO), Inc.	NIT Food and Beverage	International Terminal, Boarding Area "G"	937	No	Yes	$37,480	6% of gross revenues up to and including $1 million; plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total. $234,250	Yes
Yoko, Inc. dba Osho Japanese Cuisine	NIT Food and Beverage	International Terminal Building	529	No	Yes	$21,160	6% of gross revenues up to and including $1 million; plus 8% of gross revenues between $1,000,000.01 and $1.5 million; plus 10% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total: $132,250	Yes

						Existing Lease Terms						
Lessee	Lease	Location	Square Feet	Program Suspends MAG?	Program Grants Option to Extend Lease?	MAG	Percentage Rent	Start Date	End Date	Option to Renew?	Tenant Improvements Requirements	Tenant Pays Utilities and Janitorial?
DFS LEASES COVERED BY PROVISION 3												
DFS	Post-Security Master Retail Duty Free/Duty Paid Lease	International Terminal Building	55,422	Yes	Yes	$20,100,000	**Duty Free facilities:**	12/10/00	12/9/2010	Two one-year options	$150 per sq. ft. Total $8,313,300	Yes
							15% of gross revenues up to and including $50 million; plus 20% of gross revenues between $50,000,000.01 and $100 million; plus 25% of gross revenues over $100 million. **Facilities other than Duty Free:** 12% of gross revenues up to and including $50 million; plus 14% of gross revenues between $50,000,000.01 and $100 million; plus 16% of gross revenues over $100 million. **With respect to each additional facility:** 12% of gross revenues up to and including $500,000; plus 14% of gross revenues between $500,000.01 and $1 million; plus 16% of gross revenues over $1 million.		Add'l. facilities 12/9/2005	Add'l facilities - one five-year option		
TRAVELEX LEASES COVERED BY PROVISION 4												
Travelex America, Inc.	ATM Lease A in NIT	International Terminal Building	n/a	Yes	Yes	$240,500	In addition to the MAG, tenant pays to the Airport: (1) 33% of any transaction surcharges, plus (2) $0.10 for each ATM customer use, except those that Transaction Surcharges are applied to.	12/10/00	12/9/05	Two one-year options	$5,000 per ATM	Yes
Travelex America, Inc.	ATM Lease B in NIT	International Terminal Building	n/a	Yes	Yes	$240,500	In addition to the MAG, tenant pays to the Airport: (1) 33% of any transaction surcharges, plus (2) $0.10 for each ATM customer use, except those that Transaction Surcharges are applied to.	12/10/00	12/9/05	Two one-year options	$5,000 per ATM	Yes
Travelex America, Inc.	Foreign Currenc Lease	International Terminal Building	921	Yes	Yes	$4,127,500	Passenger based fee of $0.68 per enplaned international passenger.	12/10/00	12/9/05	Two two-year options	$200 per sq. ft. Total: $164,200	Yes
POST-SECURITY FOOD/BEVERAGE OPERATORS COVERED BY PROVISION 5												
Andale SFO	NIT Food and Beverage	International Terminal - Boarding Area "G"	2,495	No	Yes	$99,800	12% of gross revenues up to and including $600,000; plus 14% of gross revenues between $600,000.01 to $1.5 million; plus 16% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total: $623,750	Yes
D Mitchell Concessions dba Harry Denton's	NIT Food and Beverage	International Terminal, Boarding Area "A"	2,510	No	Yes	$100,400	12% of gross revenues up to and including $600,000; plus 14% of gross revenues between $600,000.01 to $1.5 million; plus 16% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total: $627,500	Yes
Gotham Foods Two LLC dba Firewood Café	NIT Food and Beverage	International Terminal, Boarding Area "A"	1,193	No	Yes	$47,720	12% of gross revenues up to and including $600,000; plus 14% of gross revenues between $600,000.01 to $1.5 million; plus 16% of gross revenues over $1.5 million	12/10/00	11/9/10		$250 per sq. ft. Total: $298,250	Yes
CLEAR CHANNEL LEASE COVERED BY PROVISION 6												
Clear Channel Airports	Airport Advertising Program	Airport-wide	n/a	Yes	Yes	$4,050,000	70%	4/1/01	3/31/06	Three one-year options	n/a	Yes

CITY AND COUNTY OF SAN FRANCISCO

DENNIS J. HERRERA
City Attorney

OFFICE OF THE CITY ATTORNEY

AIRPORT DIVISION:
MARA E. ROSALES
Airport General Counsel

DIRECT DIAL (650) 821-5065
E-MAIL: mara.rosales@flysfo.com

MEMORANDUM
PRIVILEGED & CONFIDENTIAL

TO: Matthew Stokes
Budget Analyst Office

FROM: Mara E. Rosales
Airport General Counsel

DATE: July 24, 2002

RE: Airport Concession Support Program Information Request

Pursuant to your request, I am providing you with the following statement.

In adopting the Airport Concession Support Program, the Airport Commission always intended to submit the same to the Board of Supervisors, given that most if not all of the affected leases are subject to Board approval. Given the crisis of September 11th, the Airport Commission needed to take urgent action to stabilize the Airport and the services provided to the traveling public.

Accordingly, last fall, the Airport suspended, as a temporary measure, the Minimum Annual Guarantees of most tenants. This was a temporary suspension until the Airport could determine the best reinstatement formulas, etc. At that time, the Airport alerted the Board of this temporary measure. Then, once the Airport stabilized its operations, the Airport Commission adopted the actual Program, and started working with the Finance Committee to get it calendared.

M.E.R.

SAN FRANCISCO INTERNATIONAL AIRPORT · INTERNATIONAL TERMINAL, 5TH FLOOR · P.O. BOX 8097 · SAN FRANCISCO, CA 94128
RECEPTION: (650) 821-5050 · FACSIMILE: (650) 821-5051

San Francisco International Airport

P.O. Box 8097
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VIA FACSIMILE TO 415.252.0461

DATE: July 25, 2002

TO: Matthew Stokes
Budget Analyst's Office

FROM: Leo Fermin
Associate Deputy Director, Finance

RE: Airport Concession Support Program

This responds to Item No. 3 of your e-mail dated July 23, 2002 requesting clarification on information provided on the Airport Concession Support Program.

MAG Suspension/Reinstatement. Given the severe impact of the 9/11/01 incidents on the aviation industry, the MAG Suspension/Reinstatement Program was implemented to stabilize the concession program and minimize the probability of tenants going out of business due to the severe passenger decline. The concessionaires requested relief on lost sales when the Airport was closed and the reduced passenger traffic since. The tenants looked toward the Airport to provide relief. Although Congress provided tremendous relief to the all the airlines and other facets of the aviation industry, no relief program was available to concessionaires nationwide.

Under the program, MAGs are reinstated once monthly enplanements equal or exceed 85% of the enplanements for the same month in year 2000 for two consecutive months. Each enplanement comparison would be done by the "Relevant Boarding Area(s)." MAGS would not be suspended thereafter. However, in no event will MAG reinstatement occur before April 1, 2002. This model was adopted because prior to 9/11 the concession tenants were already beginning to suffer from reduced sales because of the down turn in the economy caused by the implosion in the financial institutions as well as the bust with the dot.comers. These events had a greater impact on the Bay Area than other parts of the country. Therefore, it was decided that the base year 2000 would be a better indicator than 2001, as 2000 was not impacted by both the dot.com bust and 9/11.

The MAG recovery triggers were based on passenger traffic by Boarding Areas, since not all airlines would recover at the same rate. An airport management consulting firm, the John f. Brown Company, had forecasted that it would take approximately four to five years for air traffic to return to pre-9/11 levels. There were even concerns after 9/11 that some of the airlines may not survive in light of the magnitude of the attack and its effects on the aviation industry. At the request of the concessionaires, it was viewed that two months of consecutive enplanements measured against base year 2000 would represent some level of stabilization of enplanements for the boarding area. Since no one could determine how quickly the aviation industry would bounce back and if there would be further attacks, it was determine that MAG would not be reinstated prior to April 1, 2002. This would give the industry and the Airport a period of time to stabilize. The Airport Commission approved the Concession Support Program on 2/19/02.

Lease Term Extensions. The option to extend leases for five years was offered to those newer concessions (post 1998) that had not yet been able to realize their initial investments and, therefore, were even greater impacted by the losses of revenue. It was viewed that given the uncertain condition compounded by new procedures in effect by the FAA that tenants would not be able to realize their initial investments as well as sales opportunities. It was determined that a longer lease term would help to offset this loss and also help local DBE tenants to survive and actually prevent foreclosure of their homes that they had put up as collateral for their loans.

DFS Post-Security Master Retail Duty Free/Duty Paid Lease. In terms of financial contribution to concession revenue generated at the Airport, DFS is a significant tenant with a $26.1 million MAG. There was a tremendous need to stabilize the program at the Airport. Had the Airport utilized the percent of revenue scale specified in the lease for duty free goods, it is unlikely that DFS' rent payment would ever exceed 15% of Gross Revenues. By negotiating different terms and conditions, The Airport was able to stabilize the retail for the DBE subcontractors while securing a greater revenue sharing arrangement with DFS on duty free goods than was provided for in the lease. Additionally, duty free sales were further exasperated since duty free sales are typically very dependent on the Japanese market, it

was realized very early that the Japanese were not traveling to the San Francisco in light of 9/11.

Travelex. The majority of Tenant leases at the Airport consist of a rent structure that is the Minimum Annual Guarantee (MAG), **or**, a percentage rent, whichever is greater. The Concession Support Program provided for suspension of the MAGs and the payment of percentage rents as specified in the Tenant's respective leases.

Travelex holds three leases with the Airport; two for Automated Teller Machine (ATM) services, and the Currency Exchange Lease. Travelex's leases contain rent structures that are conventional for such concessions, but dissimilar to the majority of the Airport's leases.[1]

The Airport's tenants requested rent relief due to the decrease in passenger traffic after September 11th. In an effort to stabilize the ATM and Currency Exchange concessions, as well as concessions under an equitable program, a percentage rent structure was devised for the Travelex ATM and Currency Exchange Leases during the MAG suspension period.[2]

Subsequent discussions with Travelex regarding the Currency Exchange Lease resulted in the determination that the rent structure contained in the lease of the greater of the MAG or $.88 per enplaned international passenger was sufficiently similar to other tenants' leases to provide the relief intended by the Concession support Program. Additionally, the per passenger rent was found to be a self-correcting rent structure in the face of reduced passenger traffic. As a result, by Resolution No. 02-0072, the Airport Commission suspended Travelex's MAG for

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[1] The rent structure for the ATM leases is the sum of ATM Leases The rent paid by Travelex for the ATM leases is the **sum** of: (a) the MAG, **plus** b) 33% of Transaction Surcharges ("Percentage Rent), **plus** c) $0.10 per customer use ("Transaction Rent"). The Travelex Foreign Currency Exchange Lease specifies that Travelex shall pay the greater of the MAG or $0.88 per enplaned international passenger.

[2] The ATM percentage rent devised was 35% of the fees for 0 to 32,000 surchargeable transactions; plus 50% of the fees for 32,000 to 50,000 surchargeable transactions; plus 60% of the fees for 50,000+ surchargeable transactions. The Foreign Currency percentage rent structure devised was 4.25% of $0 to $50,000,000 in currency transactions; plus 5% of $50,000,000.01 to $60,000,000 in currency transactions; plus 5.25% over $60,000,000 in currency transactions.

Foreign Currency Exchange until December 31, 2002, and required Travelex to pay the Passenger-Based Fee of eighty-eight cents ($0.88) per Enplanement as specified in the lease.

Post-Security Food and Beverage. Three food and beverage operators were focused on sale of food and the sale of liquor; therefore, the percentage rent structure was adjusted to be in line with other food-dominated restaurants.

Clear Channel- Adverting Program Lease. The MAG levels have a step increase for each year of the lease starting at $4.05 million for Lease Year 1, $4.1 million for Lease Year 2, $4.2 million for Lease Year 3, $4.3 million for Lease Year 4 and $4.8 million for Lease Year 5. MAG adjustments for Lease Years 2 through 5 can be adjusted upwards based upon the MAG or 85% of rent paid the year before, whichever is greater. At no time will the tenant pay less than the MAG per the schedule. Tenant agreed to reinstatement of MAG effective 4/1/2002 with the increase MAG listed above, both of which increased revenue to the Airport. Tenant pays the greater of the set MAG or 70% of all revenue generated, as part of the ongoing program to improve and increase the advertising program, which we previously advised the Board of Supervisors.

cc: David Pfeiffer
Teresa Rivor
Cathy Widener

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Matthew Stokes
Budget Analyst
Board of Supervisors

DATE: 7/31/2002

FROM: Leo Fermin

SUBJECT: Concession Support Program

As you requested, this memo is to confirm that revenues submitted in the Airport Commission FY02/03 Budget assume that the Concession Support Program is in place.

cc: Bob Rhoades
David Pfeiffer
Mary Downey

m:\mdowney\BOSConcessionSupportProg.doc

GROSS REVENUE V. RENT PAYABLE
Calendar Years 1999 - 2002

TENANT / LEASE NAME	CY 1999		CY 2000		CY 2001		CY 2002 to Date		NOTES
	Gross Revenue	Rent Payable	Gross Revenue	Rent Payable	Gross Revenue	Rent Payable	Gross Revenue	Rent Payable	
Action Cellular	n/a	n/a	n/a	n/a	$150,008	$20,471	$230,057	$27,607	Rent commenced 6/20/01
Books, Inc. / North Terminal Bookstore Lease	$7,327,218	$1,497,625	$7,710,878	$1,397,109	$5,593,136	$914,977	$2,323,627	$371,780	CY 1999 and CY2000 (1/100-9/15/00) based on L95-0028; Rent was the greater of MAG $1,461,000 or 15% of gross revenues. L95-0028 expired 9/15/00.
Buth-Na-Bodhaige, Inc. dba The Body Shop / Boarding Area "F" Cosmetics and Toiletries Lease	$1,216,148	$182,623	$1,348,912	$202,337	$1,845,953	$167,256	$387,892	$52,971	CY 1999 and 2000 based on L95-0207 data, which expired 1/6/01. Rent was the greater of MAG $152,412.94 (based on CPI adjustment) or 15% of gross revenues. Current lease was effective 3/26/01.
CalStar Retail, Inc. / Boarding Area "F" Newsstand Lease	$1,857,535	$550,248	$2,007,345	$600,271	$780,235	$355,817	$589,679	$18,745	
CalStar Retail, Inc. / North Terminal Candy Cart/Kiosk Lease	$367,852	$47,377	$417,563	$58,682	$328,193	$42,732	$167,355	$70,761	
Clear Channel Airports / SFO Cyber Room Technology Showcase Lease	n/a	n/a	n/a	n/a	n/a	n/a	$42,500	Not Available	Rent commenced 3/18/02
Discovery Channel Stores / New International Terminal Nature Theme Store	n/a	n/a	$106,205	$17,716	$774,444	$205,162	$178,459	$21,415	CY 2000 covers 12/10/00 - 12/31/00
Host International, Inc. / Boarding Areas "B" and "C" Bookstores Lease (rent commenced 4/24/99)	$1,797,050	$321,180	$2,298,054	$411,074	$4,541,215	$921,420	$1,635,564	$50,132	Temporary facility 1/1/99-4/23/99; rent was 12% of gross revenues MAG effective 4/24/99.
Host International, Inc. / New International Terminal Aviation Store Lease	n/a	n/a	$0	$7,747	$1,510,010	$9,589,482	$501,324	$3,954	CY 2000 covers 12/10/00 - 12/31/00
Host International, Inc. / North Terminal Concession Opportunity Lease	$5,676,398	$1,018,831	$6,591,275	$1,204,652	$175,881	$97,954	$40,608	$227,564	Temporary facilities 1/1/99-3/29/99; rent was 12% of gross revenues. MAG effective 3/30/99.
Host International, Inc. / North Terminal Hub Principal Retail Concession Lease	n/a	n/a	$3,367,830	$1,242,889	$4,185,412	$1,584,362	$1,570,831	$252,503	CY 2000 covers 6/10/00 - 12/31/00
North Terminal Shines / Shoeshine Service Lease	$194,995	$19.500	$509,439	$50,944	$380,959	$64,825	$157,324	$16,489	CY 1999 covers 7/1/99 - 12/31/99
OSI-MB / Boarding Area "F" Executive Writing Instruments Lease	n/a	n/a	n/a	n/a	n/a	$7,038	$163,661	$19,639	Lease effective 7/20/01
Pacific Gateway Concessions, LLC / Boarding Areas "B" and "C" Principal Concession Lease (rent commenced 6/18/99)	$7,948,997	$1,508,981	$10,147,043	$2,182,578	$7,583,136	$9,922,981	$2,794,938	$447,190	Temporary facilities 1/11/99 - 6/17/99; rent was 12% of gross revenues. MAG commenced 6/18/99.
Pacific Golf Partners, LLC / New International Terminal Golf Shop Lease	n/a	n/a	$49,691	$13,312	$703,367	$183,573	$258,489	$31,019	CY 2000 covers 12/10/00 - 12/31/00
Rosedale-Wilsons dba Wilsons Leather / North Terminal Concourse Specialty Fine Leather Goods Lease	n/a	n/a	n/a	n/a	$354,144	$47,737	$274,552	$32,947	Rent commenced 6/19/01
San Francisco Museum of Modern Art / New International Terminal Museum Store Lease	n/a	n/a	n/a	n/a	$728,223	$134,160	$313,677	$31,368	Rent commenced 1/22/01
See's Candies, Inc. / North Terminal Candy Store Lease (upon execution of lease)	n/a	n/a	n/a	n/a	n/a	n/a	$313,095	Not Available	Permit commenced 4/1/02
SFO Hairport / New International Terminal Hair Salon Lease	$96,571	$3,229	$100,463	$6,500	$15,220	$2,335	$18,494	$2,487	Data based on L95-0046, which expired on 1/001. 1999 MAG was $6,250; 2000 MAG was $6,500.
Smarte Carte / Public Lockers and Over-the-Counter Baggage Lease	$237,602	$77,640	$253,301	$79,503	$167,868	$56,274	$127,431	$19,115	
U-Threads / Boarding Area "F" Collegiate Apparel Lease	n/a	n/a	n/a	n/a	$98,246	$8,740	$177,192	$21,263	Rent commenced 8/1/01
WH Smith Hotel Services / New International Terminal Bookstore/Café Lease	n/a	n/a	$29,093	$15,723	$1,164,015	$221,354	$419,461	$45,378	CY 2000 covers 12/10/00 - 12/31/00
Bank of America / Domestic Banking Lease	$327,514	$322,695	$335,782	$328,621	$262,743	$373,068	$85,030	Not Available	CY 1999: Data based on L86-0039, expired 12/9/00. MAG for 8/23/98 to 8/22/99 was $214,160.16; for 8/23/99 to expiration date was $221,796.88 (based on yearly CPI adjustment). CY 2000: Data based on L86-0039 from 1/1/00 - 12/9/00 and current lease from 12/10/00-12/31/00.
- Banking	*n/a*	*$214,615*	*n/a*	*$217,813*	*n/a*	*$261,000*	*$0*	*Not Available*	
- ATM (33%)	*$327,514*	*$108,080*	*$335,782*	*$110,808*	*$282,743*	*$112,068*	*$85,030*	*Not Available*	
Bayport Concessions LLC dba Willow Street Woodfired Pizza / New International Terminal Food and Beverage	n/a	n/a	$72,856	$4,371	$721,590	$43,293	$270,500	Not Available	CY 2000 covers 12/10/00 - 12/31/00
D-Lew Enterprises dba Il Fornaio / New International Terminal Food and Beverage	n/a	n/a	$67,939	$4,076	$1,142,967	$74,348	$470,367	Not Available	CY 2000 covers 12/10/00 - 12/31/00
Deli-Up Enterprises, LLC / New International Terminal Food and Beverage	n/a	n/a	$44,905	$2,694	$869,201	$52,151	$393,669	Not Available	CY 2000 covers 12/10/00 - 12/31/00

GROSS REVENUE V. RENT PAYABLE
Calendar Years 1999 - 2002

TENANT / LEASE NAME	CY 1999		CY 2000		CY 2001		CY 2002 to Date		NOTES
	Gross Revenue	Rent Payable	Gross Revenue	Rent Payable	Gross Revenue	Rent Payable	Gross Revenue	Rent Payable	
Ebisu, Inc. / New International Terminal Food and Beverage	n/a	n/a	$0	$1,251	$1,040,148	$68,281	$445,129	Not Available	CY 2000 covers 12/10/00 - 12/31/00. Tenant opened after Rent Commencement date was active.
Emporio Rulli / New International Terminal Food and Beverage	n/a	n/a	$29,093	$15,723	$1,763,964	$214,661	$618,604	Not Available	CY 2000 covers 12/10/00 - 12/31/00
Fung Lum Express, LLC / New International Terminal Food and Beverage	n/a	n/a	$131,028	$7,862	$1,401,211	$100,822	$575,445	Not Available	CY 2000 covers 12/10/00 - 12/31/00
Harbor Airport, LLC dba Harbor Village / New International Terminal Food and Beverage	n/a	n/a	$81,779	$4,907	$1,053,136	$65,873	$454,763	Not Available	CY 2000 covers 12/10/00 - 12/31/00
Lori's Diner International / New International Terminal Food and Beverage	n/a	n/a	$159,363	$9,578	$1,541,792	$110,397	$558,155	Not Available	CY 2000 covers 12/10/00 - 12/31/00
Nidal Nazzal dba Burger Joint / New International Terminal Food and Beverage	n/a	n/a	$85,497	$5,130	$774,712	$56,966	$396,906	Not Available	CY 2000 covers 12/10/00 - 12/31/00
Polk-Townsend and Associates dba Café Metro / New International Terminal Food and Beverage	n/a	n/a	$53,758	$3,225	$752,690	$47,562	$265,125	Not Available	CY 2000 covers 12/10/00 - 12/31/00
Tomokazu Japanese Cuisine (SFO), Inc. / New International Terminal Food and Beverage	n/a	n/a	$0	$2,217	$779,541	$45,538	$342,954	Not Available	CY 2000 covers 12/10/00 - 12/31/00
Yoko, Inc. dba Osho Japanese Cuisine / New International Terminal Food and Beverage	n/a	n/a	$58,692	$3,522	$866,332	$53,779	$358,776	Not Available	CY 2000 covers 12/10/00 - 12/31/00
DFS Group, LLP / Post-security Master Retail Lease	$58,852,508	$20,711,727	$68,807,614	$21,299,720	$59,951,533	$9,306,414	$20,271,203	Not Available	
- Duty Paid	*$14,070,956*	*$2,787,869*	*$16,442,250*	*$3,277,326*	*$14,168,450*	*$2,589,984*	*$5,422,402*	*$3,590,266*	1/1/99 - 12/19/00 based on L82-0304. Effective 1/1/99, MAG was $2,674,543.68; Effective 1/1/00, MAG was $2,682,185.23; 12/1/00-12/5/00 Rent was the greater of pro-rated MAG or 20% of gross revenues; 12/6/00-12/20/00, rent was 20% of gross revenues (transition to new lease). For current lease, MAG was in effect on 12/20/00.
- Duty Free/In-Bond	*$44,781,552*	*$17,923,858*	*$52,365,364*	*$18,022,394*	*$45,783,083*	*$57,475,558*	*$14,848,801*	*$650,688*	Data based on L94-0049. Effective 1/1/99, Rent was the greater of MAG $17,923,858.47 or 15% of gross revenues achieved up to $35 million plus 20% of gross revenues achieved over $35 million.
Travelex America, Inc. / ATM Lease A in the New International Terminal	n/a	n/a	$12,010	$18,430	$3,325,671	$215,330	$49,668	Not Available	
- ATM Service			*n/a*	*$14,223*	*n/a*	*$166,950*	*$0*	*$17,384*	
- Surcharge/Transaction			*$12,010*	*$4,207*	*$3,325,671*	*$48,380*	*$49,668*	*Not Available*	CY 2000 covers 12/10/00 - 12/31/00
Travelex America, Inc. / ATM Lease B in the New International Terminal			$9,663	$17,606	$104,342	$277,570	$32,159	Not Available	
- ATM Service	*n/a*	*n/a*	*n/a*	*$14,223*	*n/a*	*$168,950*	*$0*	*$11,255*	
- Surcharge/Transaction	*n/a*	*n/a*	*$9,663*	*$3,383*	*$104,342*	*$110,620*	*$32,159*	*Not Available*	CY 2000 covers 12/10/00 - 12/31/00
Travelex America, Inc. / Foreign Currency Lease	n/a	n/a	n/a	$244,099	n/a	$3,124,191	$0	$992,530	CY 2000 covers 12/10/00 - 12/31/00
Andale SFO / New International Terminal Food and Beverage	n/a	n/a	$81,527	$9,783	$1,318,432	$154,957	$493,535	Not Available	CY 2000 covers 12/10/00 - 12/31/00
D. Mitchell Concessions dba Harry Denton's / New International Terminal Food and Beverage	n/a	n/a	$56,553	$6,786	$1,107,252	$123,770	$311,979	Not Available	CY 2000 covers 12/10/00 - 12/31/00
Gotham Foods Two, LLC dba Firewood Café / New International Terminal Food and Beverage	n/a	n/a	$52,385	$6,286	$841,270	$86,287	$312,865	Not Available	CY 2000 covers 12/10/00 - 12/31/00
Clear Channel Airports / Airport Advertising Program Lease	n/a	n/a	n/a	n/a	n/a	$3,037,500	$624,477	$208,918	Lease effective 4/1/01

Total Enplanements at SFO, by Month, 2000-2002

Month	Total	Domestic	International
Jan-00	1,355,225	1,120,964	234,261
Feb-00	1,350,724	1,129,935	220,789
Mar-00	1,626,209	1,364,272	261,937
Apr-00	1,654,526	1,404,255	250,271
May-00	1,738,683	1,432,927	305,756
Jun-00	1,959,181	1,605,312	353,869
Jul-00	1,952,090	1,601,870	350,220
Aug-00	1,951,702	1,591,491	360,211
Sep-00	1,664,717	1,352,452	312,265
Oct-00	1,708,986	1,397,779	311,207
Nov-00	1,604,562	1,328,038	276,524
Dec-00	1,599,519	1,297,648	301,871
Total 2000	*20,166,124*	*16,626,943*	*3,539,181*
Jan-01	1,366,711	1,059,805	306,906
Feb-01	1,256,991	999,235	257,756
Mar-01	1,490,228	1,186,188	304,040
Apr-01	1,519,317	1,193,681	325,636
May-01	1,582,955	1,224,540	358,415
Jun-01	1,732,846	1,342,959	389,887
Jul-01	1,701,638	1,319,624	382,014
Aug-01	1,843,794	1,443,616	400,178
Sep-01	1,122,594	767,224	355,370
Oct-01	1,258,793	911,625	347,168
Nov-01	1,210,640	901,623	309,017
Dec-01	1,248,181	910,134	338,047
Total 2001	*17,334,688*	*13,260,254*	*4,074,434*
Jan-02	1,094,147	850,604	243,543
Feb-02	1,019,790	791,344	228,446
Mar-02	1,277,372	1,002,783	274,589
Apr-02	1,228,930	972,726	256,204
May-02	1,343,030	1,053,394	289,636
Jun-02			

EXHIBIT E-3 SUBOBJECT SUMMARY

FORECAST OF REVENUES AND EXPENSES BY COST CENTER
TERMINAL AREA
FOR FISCAL YEAR ENDED JUNE 30

SAN FRANCISCO INTERNATIONAL AIRPORT

	Budget (5/1/00) 2001	Actual 2001	Budget (5/23/01) 2002	Revised Forecast 2002	2003	Description
Revenues from sources other than aggregate rentals paid by the Scheduled Airlines						
Concession fees						
Gifts, merchandise, and services						
37421 - Concession Rev-Telephone	$4,003,000	$3,495,759	$4,101,000	$2,975,000	$3,459,000	Pac Bell, AT&T, Nextel, Sprint, GTE Mobilnet
37441 - Concession Rev-Advertising	2,719,000	2,709,280	8,028,000	3,803,000	6,828,000	ClearChannel: Jet bridges & Airport-wide Advertising
37499 - Concession Rev-others, terminal	5,968,000	2,236,515	6,803,000	1,444,000	1,649,000	N Terminal Shines, Newspapers, ATM's, Smarte Carte/Amlock/Rentals
37501 - Concession Rev-others, ITB	0	2,630,876	0	1,820,000	3,464,000	Travelex, SFO Hairport, Action Cellular
37521 - Concession Rev-Gifts & Mdse	17,491,000	11,308,971	16,938,000	5,493,000	8,999,000	Pacific Gateway, Host Int'l, Marilla, Calstar, Books Inc., DeLaVe
37522 - Concession Rev-Gifts & Mdse(new IT)	0	3,174,284	0	2,704,000	6,175,000	Calstar Retail, SFMOMA, Pacific Golf, WH Smith, DFS, Discovery Channel
Subtotal	$30,181,000	$25,555,685	$35,870,000	$18,239,000	$30,574,000	
37611 - Car rentals	35,608,000	31,629,000	33,536,000	25,572,000	27,876,816	Alamo, Avis, Budget, Dollar, Hertz, National, Thrifty, Enterprise
37711 - Food & Beverage	8,011,000	6,359,000	7,705,000	4,841,000	5,720,477	Host (Food & Beverage)
37712 - Food & Beverage (new IT)	0	690,000	0	1,172,070	1,012,000	Andale, Burger Joint, Café Metro, Deli Up, Ebisu, Emporio Rulli, Firewood Café, Harbor Village, Harry Denton's, Il Fornaio, Lori's Diner, Osho Japanese, Tomokazu, Willow S
37511 - Duty free, In-bond	no longer used	7,738,000	0	no longer used	no longer used	no longer used
37512 - Duty free, In-bond - IT	22,441,000	12,776,000	23,107,000	10,793,000	12,668,000	DFS Group L.P (Duty Free)
	$96,241,000	$84,747,685	$100,218,000	$60,617,070	$77,851,293	

Note: Data as of 3/29/02. Forecast has not been updated. Used for FY02/03 Budget—revenue

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4/02

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

August 8, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: August 14, 2002 Finance Committee Meeting

Item 1 – File 02-1313

Department: Public Library
Mayor's Office of Public Finance

Item: Resolution authorizing and directing the sale of not to exceed $23,135,000 City and County of San Francisco General Obligation Bonds (Branch Library Facilities Improvement Bonds, 2000), Series 2002B; prescribing the form and terms of said bonds; authorizing the execution, authentication and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell bonds; directing the publication of the notice of intention to sell bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said bonds.

Amount: Not to exceed $23,135,000

Description:

On November 7, 2000, San Francisco voters approved Proposition A, Branch Library Facilities Improvement Bonds, which authorized the City to issue up to $105,865,000 in General Obligation Bonds to:

- Rehabilitate, renovate, and improve 19 of the 24 existing branch libraries. This work includes seismic upgrades, improved disability access, mitigation of hazardous materials, modernizing and upgrading building systems, reconfiguration and expansion of interior spaces, and other improvements.
- Acquire land and construct four new branch libraries currently housed in leased facilities in the Glen Park, Ingleside, Portola, and Visitacion Valley neighborhoods.
- Construct one new branch library in the Mission Bay neighborhood.
- Construct a new system-wide administrative support services center.

Attachment I, provided by the Public Library, contains a list of all the projects to be funded by the Branch Library Facilities Improvement Bonds and their estimated costs. Total estimated project costs are $118,515,000. According to Mr. George Nichols of the Public Library, these total estimated project costs will be funded by:

- Branch Library Facilities Improvement Bonds ($105,865,000).
- Earthquake Safety Program II funds ($2,400,000).
- State Proposition 14 funds ($10,250,000).[1]

Mr. Nichols advises that construction and improvements of the branch libraries are scheduled for completion by the spring of 2010. All projects are on schedule at this time, according to Mr. Nichols.

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[1] State Proposition 14, approved by the voters in March of 2000, provides $350,000,000 of State funds for library construction projects, which is awarded to libraries statewide on a competitive basis, and which requires a 35 percent local match. In January of 2002, the Public Library established a program reserve to cover the possibility that the State Proposition 14 funding allocated to San Francisco in the amount of $10,250,000 is not fully granted.

Attachment II, provided by the Public Library, contains the following information on each of the branch library facilities improvement projects:

- Actual expenditures to date.
- Anticipated additional expenditures.
- Actual or estimated start date.
- Estimated completion date.

Although the sale of Branch Library Facilities Improvement Bonds, Series 2001E in the amount of $17,665,000 was authorized by the Board of Supervisors in May of 2001, only $866,899 have been expended or encumbered, as noted in Attachment II. This is because the Branch Library Facilities Improvement Program start-up was delayed while the Public Library went through the process of hiring a program manager, according to Mr. Nichols. In terms of the sites for the new branch libraries and the System-wide Administrative Support Services Center, and the preliminary project designs, Mr. Nichols states that the initial project schedule was optimistic in terms of the amount of time it would take to survey available sites, develop the preliminary designs, obtain community input about the sites and preliminary designs, and obtain authorization to acquire the sites. Most of that work has now been completed and the Public Library is ready to move forward with the design review and approval and site acquisition stages of the projects, according to Mr. Nichols.

Attachment III, provided by the Public Library, is a schedule of the anticipated dates when the remaining bonds of $65,065,000 will be sold ($105,865,000 less $17,665,000 for Branch Library Facilities Improvement Bonds, Series 2001E, and the proposed sale of $23,135,000 for Branch Library Facilities Improvement Bonds, Series 2002B).

On May 14, 2001, the Board of Supervisors approved the general terms and procedures for the issuance of the $105,865,000 in Branch Library Facilities Improvement Bonds. The Board of Supervisors approved the following general provisions regarding issuance of these bonds:

- The bonds shall be divided into various series, as authorized by the Board of Supervisors.
- Property Taxes collected to pay debt service on the bonds would be deposited in a special account, which would be created specifically for this purpose.
- The proceeds of the sale of the bonds would be deposited into a Project Account, maintained by the City Treasurer, and would be applied exclusively to the projects approved under the subject bond.
- The City Treasurer may appoint fiscal agents or financial institutions to distribute bond interest and principal payments.
- The Board of Supervisors may, by resolution, authorize and direct the sale of any series of bonds to provide for the defeasance of such series bonds. Defeasance refers to either the full repayment of the bonds or the advance refunding of bonds by placement of sufficient funds in an escrow account and purchase of high quality investments such that the resulting cashflow is sufficient to meet future debt service requirements.

On May 14, 2001, the Board of Supervisors authorized the sale of the initial series of Branch Library Facilities Improvement Bonds, Series 2001E, in a principal amount not to exceed $17,665,000. These bonds were issued on July 12, 2001, at a 4.68 percent interest rate for a 20 year term, with a June 15, 2021 maturity date.

The Public Library is now seeking Board of Supervisors approval to sell a second series of Branch Library Facilities Improvement Bonds. Branch Library Facilities Improvement Bonds, Series 2002B would be issued in an amount not to exceed $23,135,000.

Budget: The Public Library proposes to expend the estimated $23,135,000 in proceeds from the Branch Library Facilities Improvement Bonds, Series 2002B as shown in the table on the following page:

	Amount
Architectural, engineering, and design services	$3,937,418
Construction	952,500
Site acquisition	16,243,550
Program management	818,532
Relocation and moving	1,080,000
Costs of issuance	103,000
TOTAL:	**$23,135,000**

Attachment IV, provided by the Public Library, contains the expenditure categories of the branch library facilities improvement projects and budget details to support the above summary budget for the subject bond proceeds of $23,135,000. Mr. Nichols advises that the budget information is based on preliminary estimates.

Comments:

1. According to Ms. Karen Ribble of the Mayor's Office of Public Finance, the sale of the General Obligation Bonds is tentatively scheduled for September 18, 2002. The bonds will have a term of approximately 20 years, with an anticipated final maturity date of June 15, 2022. The bonds would be awarded to the bidder whose bid represents the lowest true interest cost to the City. Based on current market estimates as of July 31, 2002, the overall effective interest rate on the proposed Branch Library Facilities Improvement Bonds, Series 2002B would be approximately 4.825 percent, according to Ms. Ribble. Under those circumstances, it is estimated that the proposed sale of bonds in the amount of $23,135,000 would result in a total debt service over the 20 year life of the bonds of approximately $36,058,000, including the principal amount of $23,135,000 and interest payments of $12,923,000. The estimated average annual debt service over the estimated 20 year life of the bonds is approximately $1,802,000.

2. According to the Controller's Office, the proposed Series 2002B sale of General Obligation Bonds in the amount of $23,135,000 would result in an increase in the Property Tax rate of approximately $0.00191 per $100 of assessed value. At that rate, the owner-occupier of a single-family residence assessed at $400,000 (net of the $7,000 homeowner's exemption) would pay approximately $7.64 in additional Property Taxes annually due to the issuance of these bonds.

3. On June 3, 2002, the Board of Supervisors approved the sale of up to $6,210,000 in Zoo Facilities Bonds, Series 2002A. Ms. Ribble advises that the Mayor's Office of Public Finance has decided to sell these Zoo Facilities Bonds at the same time as the proposed Branch Library Facilities Improvement Bonds, Series 2002B in order to reduce the City's bond issuance costs. Ms. Ribble advises that approximately $210,000 will be saved in bond issuance costs by selling both bond issuances simultaneously. Attachment V, provided by the Mayor's Office of Public Finance, details the bond issuance costs in the estimated amount of $210,000, or approximately 0.72 percent of the total value of the bond sales in the amount of $29,345,000 ($23,135,000 for the Branch Library Facilities Improvement Bonds, Series 2002B, plus $6,210,000 for the Zoo Facilities Bonds, Series 2002A). Ms. Ribble reports that the bond issuance costs are to be paid from the bond proceeds.

4. Ms. Ribble reports that, as of June 30, 2002, the City had $917,220,000 in outstanding General Obligation Bond debt. The City's General Obligation Bond debt capacity is limited to 3 percent of the City's net assessed property value. According to Ms. Ribble, the City's total debt capacity is currently $2,812,149,774, or 3 percent of an estimated net assessed property value of $93,738,325,815 for FY 2002-2003. If the Board of Supervisors authorizes the sale of the proposed Branch Library Facilities Improvement Bonds, Series 2002B in the amount of $23,135,000, and after the sale of the Zoo Facilities Bonds, Series 2002A in the amount of $6,210,000, the City will have $946,565,000 in General Obligation Bond debt outstanding ($917,220,000 plus $23,135,000 for the Branch Library Facilities Improvement Bonds, Series

2002B, plus $6,210,000 for Zoo Facilities Bonds, Series 2002A). This will leave $1,865,584,774 in General Obligation Bond capacity remaining.

5. Ms. Ribble advises that due to the Bond Accountability Ordinance, there must be a 60 day waiting period between introduction of a General Obligation Bond proposal and consideration by the full Board of Supervisors. Under that rule, the earliest date by which the full Board of Supervisors can consider sale of the proposed Branch Library Facilities Improvement Bonds, Series 2002B is August 26, 2002, according to Ms. Ribble.

6. According to Mr. Nichols, the anticipated General Obligation Bond proceeds from the proposed bond sale in the amount of $23,135,000 have already been appropriated in the Public Library's FY 2002-2003 budget.

Recommendation: Approve the proposed resolution.

BRANCH LIBRARY IMPROVEMENTS
BOND PROGRAM REPORT

8/8/02

BRANCHES	Year Opened	PROGRAM: Seismic Upgrade	PROGRAM: Disabled Access	PROGRAM: Building Code Impacts	PROGRAM: Modernization Improvements	PROGRAM: Facility Expansion	PROGRAM: New Building	ESTIMATED COSTS: Rehabilitation, Improvement & Relocation	ESTIMATED COSTS: Expansion	ESTIMATED COSTS: Site Acquisition	ESTIMATED COSTS: New Building	ESTIMATED COSTS: Program Mgt. & Reserve	ESTIMATED COSTS: Totals
Anza	1932	✓	✓	✓	✓	✓		3,717,000	786,000				$ 4,503,000
Bayview-A.E.Waden	1969		✓	✓	✓	✓		2,944,000	685,000				$ 3,629,000
Bernal	1940	✓	✓	✓	✓	✓		4,630,500	452,000				$ 5,082,500
Eureka Valley	1961	✓	✓	✓	✓	✓		3,618,000	733,000				$ 4,351,000
Excelsior	1967	✓	✓	✓	✓			3,629,000					$ 3,629,000
Glen Park	Rental						✓				4,681,000		$ 4,681,000
Golden Gate Valley	1918	✓	✓	✓	✓	✓		4,420,000	653,000				$ 5,073,000
Ingleside	Rental						✓			1,770,000	2,618,000		$ 4,388,000
Marina	1954	✓	✓	✓	✓	✓		3,162,000	742,500				$ 3,904,500
Merced	1958	✓	✓	✓	✓	✓		3,204,000	786,000				$ 3,990,000
Mission Bay							✓				3,304,000		$ 3,304,000
Noe Valley	1916	✓	✓	✓	✓	✓		3,624,000	565,500				$ 4,189,500
North Beach	1959	✓	✓	✓	✓	✓		2,842,000	445,000				$ 3,287,000
Ortega	1956	✓	✓	✓	✓	✓		2,749,000	633,000				$ 3,382,000
Park	1909				✓			1,244,500					$ 1,244,500
Parkside	1951	✓	✓	✓	✓			2,736,000					$ 2,736,000
Portola	Rental						✓			1,770,000	2,618,000		$ 4,388,000
Potrero	1951	✓	✓	✓	✓	✓		3,398,000	620,500				$ 4,018,500
Presidio	1921				✓			1,453,500					$ 1,453,500
Richmond	1914	✓	✓	✓	✓	✓		5,068,000	2,073,500				$ 7,141,500
Sunset	1918				✓			1,415,500					$ 1,415,500
Visitacion Valley	Rental						✓			2,090,000	3,020,500		$ 5,110,500
West Portal	1939	✓	✓	✓	✓	✓		3,596,000	308,500				$ 3,904,500
Western Addition	1966	✓	✓	✓	✓			3,258,500					$ 3,258,500
Support Services Center			✓	✓	✓						8,626,000		$ 8,626,000
Library Program Management												800,000	$ 800,000
Program Consultants												750,000	$ 750,000
City Program Management												3,600,000	$ 3,600,000
Real Estate Department												120,000	$ 120,000
Art Enrichment Fund												302,000	$ 302,000
Relocation & Moving								4,320,000					$ 4,320,000
Cost of Issuance												1,500,000	$ 1,500,000
Program Reserve			✓	✓	✓			-				6,432,500	$ 6,432,500
Project Costs								**$ 65,029,500**	**$ 9,483,500**	**$ 5,630,000**	**$ 24,867,500**	**$ 13,504,500**	**$ 118,515,000**
Anticipated State Funds (Proposition 14)													**$ (10,250,000)**
Earthquake Safety Program II (ESP II) Funds													**$ (2,400,000)**
TOTAL BOND - BRANCH LIBRARY IMPROVEMENTS													$ 105,865,000

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Attachment II

8/8/02

BRANCH LIBRRY IMPROVEMENTS
BOND PROGRAM BUDGET REPORT

	Budget	Exp./Encumb. (thru 6/30/02)	Balance	Start Date	End Date
Anza	$ 4,503,000		$ 4,503,000	May-05	Sep-08
Bayview-A.E.Waden	$ 3,629,000		$ 3,629,000	Jan-05	Nov-06
Bernal	$ 5,082,500		$ 5,082,500	May-05	Sep-08
Eureka Valley	$ 4,351,000		$ 4,351,000	Sep-04	Feb-07
Excelsior	$ 3,629,000	$ 156,172	$ 3,472,828	Feb-02	Sep-04
Glen Park	$ 4,681,000	$ 53,422	$ 4,627,578	Mar-01	Dec-04
Golden Gate Valley	$ 5,073,000		$ 5,073,000	May-05	Sep-08
Ingleside	$ 4,388,000	$ 45,205	$ 4,342,795	Mar-01	Sep-07
Marina	$ 3,904,500		$ 3,904,500	Mar-02	Jan-05
Merced	$ 3,990,000		$ 3,990,000	Mar-07	Dec-09
Mission Bay	$ 3,304,000	$ 50,227	$ 3,253,773	Feb-01	Jul-04
Noe Valley	$ 4,189,500	$ 23,539	$ 4,165,961	Mar-02	Aug-05
North Beach	$ 3,287,000		$ 3,287,000	Jan-04	Mar-07
Ortega	$ 3,382,000		$ 3,382,000	Jun-04	Oct-07
Park	$ 1,244,500		$ 1,244,500	Aug-07	Aug-09
Parkside	$ 2,736,000		$ 2,736,000	Mar-02	Jan-05
Portola	$ 4,388,000	$ 76	$ 4,387,924	Mar-01	Dec-06
Potrero	$ 4,018,500		$ 4,018,500	Jan-05	Aug-08
Presidio	$ 1,453,500		$ 1,453,500	Aug-07	Aug-09
Richmond	$ 7,141,500	$ 192,516	$ 6,948,984	Feb-03	Jun-06
Sunset	$ 1,415,500	$ 8,469	$ 1,407,031	Feb-03	Nov-05
Visitacion Valley	$ 5,110,500		$ 5,110,500	Mar-01	Dec-06
West Portal	$ 3,904,500		$ 3,904,500	Feb-02	Jan-05
Western Addition	$ 3,258,500		$ 3,258,500	Sep-04	Feb-07
Support Services Center	$ 8,626,000		$ 8,626,000		
Library Program Management	$ 800,000	$ 3,817	$ 796,183		
Program Consultants	$ 750,000	$ 84,975	$ 665,025		
City Program Management	$ 3,600,000	$ 143,044	$ 3,456,956		
Real Estate Department	$ 120,000	$ 120,000	$ -		
Art Enrichment Fund	$ 302,000	$ 4,738	$ 297,262		
Relocation & Moving	$ 4,320,000		$ 4,320,000		
Cost of Issuance	$ 1,500,000	$ 173,215	$ 1,326,785		
Program Reserve	$ 6,432,500		$ 6,432,500		
Project Costs	$118,515,000	$ 1,059,415	$ 117,455,585		
Anticipated State Funds (Proposition 14)	$ (10,250,000)	$ -	$ (10,250,000)		
Earthquake Safety Program II (ESP II) Funds	$ (2,400,000)	$ (192,516)	$ (2,207,484)		
TOTAL BOND - BRANCH LIBRARY IMPROVEMENTS	$105,865,000	$ 866,899	$ 104,998,101		

Attachment III
8/8/02

BRANCH LIBRARY IMPROVEMENTS
BOND SALE SCHEDULE

June 2001	$ 17,665,000
September 2002	$ 23,135,000
January - March 2004	$ 20,100,000
April - June 2005	$ 21,500,000
October - December 2006	$ 17,500,000
April - June 2008	$ 5,965,000
TOTAL	$ 105,865,000

8/8/02

FY 2002-03
BRANCH LIBRARY FACILITIES IMPROVEMENT BOND

	Excelsior	Visitacion Valley	Ingleside	North Beach	Portola	Sunset	West Portal	Ortega	Glen Park	Mission Bay	Support Center	TOTAL
A/E/C Services	$ 1,041,899	$ 132,147	$ 114,554	$ 943,710	$ 114,554	$ 389,169	$ 1,120,996	$ 80,389	$ -	$ -		$ 3,937,418
Construction	$ -			$ -	$ -	$ -	$ -	$ -	$ 952,500	$ -		$ 952,500
Site Acquisition	$ -	$ 2,090,000	$ 1,770,000	$ -	$ 1,770,000	$ -	$ -	$ -	$ -	$ 1,987,550	$ 8,626,000	$ 16,243,550
Subtotal	**$ 1,041,899**	**$ 2,222,147**	**$ 1,884,554**	**$ 943,710**	**$ 1,884,554**	**$ 389,169**	**$ 1,120,996**	**$ 80,389**	**$ 952,500**	**$ 1,987,550**	**$ 8,626,000**	**$ 21,133,468**
Program Management												$ 818,532
Relocation & Moving												$ 1,080,000
Cost of Issuance												$ 103,000
TOTAL												**$ 23,135,000**

NOTES:

A/E/C SERVICES: Estimated cost of architectural and engineering plan and design services for scheduled projects.

CONSTRUCTION: Glen Park Branch Library Project is a mixed use project located at the corner of Diamond and Wilder Streets. The Library will purchase from Glen Park Marketplace Phoenix, LLC a condominium unit which is to be delivered as an enhanced shell with a separate main entrance. The Library parcel consists of 9,200 square feet, consisting of 700 square feet of ground floor space on Diamond Street and 8,500 square feet of space over a ground floor parcel on the second floor of the Project, along with 4,000 square feet of air rights above the Diamond Street portion of the Project. The project will contain a 5,000 square foot retail unit (initially a grocer) and approximately 15 individual residential units. The Library Commission approved a letter of intent to lead to a final purchase agreement with the owners of the property commonly known as the "Diamond Super".

SITE ACQUISITION: Estimated purchase price of parcels under consideration for locating branch libraries as well as the estimated cost of purchasing a site/building for the Support Services Center. Sites include; a) Mission Bay: The Library is finalizing a purchase and sale agreement with the SF Redevelopment Agency for this Branch. The new Branch Library is part of the Mission Bay Development Project – a project of Catellus Development Corporation under the authority of the San Francisco Redevelopment Agency. The SFRDA project is divided into two phases. The new branch will be located north of the channel in Phase I. The branch will be located in a multi-use facility approximately 173,000 SF in size located at the corner of 4th and Berry Street on the channel. The largest use of the space will be for an adult day health program and senior housing units. In addition to the Library it will house non-profit office space, retail storefronts and a large community meeting room. The Library will be approximately 8,000 SF in size and will be located on the ground floor with an entrance on 4th Street and a view of the channel on the south side. b) Ingleside: The Library is pursuing the purchase of the Sunset Auto site located at 1250 Ocean Avenue. The Library Commission has directed the City's Real Estate division to enter into purchase negotiations with the property owner of the Sunset Auto site. The new building will be approximately 6,000 SF in size. c) Portola: The Library is working with the San Francisco Unified School District to acquire a site located at the Martin Luther King Jr. Middle School. The Library Commission directed the City's Real Estate Division staff to enter into purchase negotiations with San Francisco Unified School District for the MLK School site. The new building will be approximately 6,000 SF in size. d) Visitacion Valley: The Library is working with the Department of Real Estate on potential sites for the Visitacion Valley Branch Library. d) Support Services Center: The Library is working with the Department of Real Estate on the potential purchase of a commercial building located at 190- 9th Street. The building is a three story structure with 45,000 sq. feet. The building has recently been remodeled and updated and is ideally suited for use by the Library's Technical Services Department and it is located very near the Main Library. The Library Commision has approved a Letter of Intent requesting the Department of Real Estate to enter into negotiations for the acquisition of 190 – Ninth Street as the location for the Library's Support Services Center.

PROGRAM MANAGEMENT: Includes estimated expenditures for program management services provided by the Department of Public Works, the Public Library, and other City Agencies. Also includes the cost of planning consultants.

RELOCATION: Estimated relocation and moving costs for projects.

COST OF ISSUANCE: Cost of issuing bonds. Includes bond counsel fees, financial advisor fees, city staff, POS/OS printing, rating agency fees, and advertising.

Attachment V

Estimated Cost of Issuance Breakdown

Bond Counsel Fees	36,000.00
Financial Advisor Fees	21,000.00
City Staff [1]	65,000.00
POS/OS Printing	15,000.00
Rating Fees [1]	44,750.00
Advertising (Bond Buyer and other)	2,500.00
Contingency	25,750.00
	210,000.00

[1] Moody's, S&P and Fitch

Item 2 - File 02-1290

Department: Airport

Item: Resolution approving Modification No. 7, the Close-out Modification, to Professional Services Agreement, Contract 5700CM – Construction Management Services for the AirTrain System, with PGH Wong Engineering/Luster Construction Management, in the amount of $2,644,367, for a new total contract amount not to exceed $32,847,364.

Amount: $2,644,367 (see Comment No. 7)

Source of Funds:

Master Plan Capital Improvement Program	
- Airport Revenue Bonds Issue 16A/13B:	$1,417,408
Airport's contribution – BART Fixed Facilities	
- Airport Revenue Bonds Issue 16A:	76,959
Airport's contribution – BART Systems	
- Airport Revenue Bonds Issue 16A:	1,150,000
TOTAL:	$2,644,367

Description: On May 16, 1995 the Airport Commission awarded a Professional Services Contract to a joint venture of PGH Wong Engineering and Luster Construction Management[1] in the amount of $1,400,000, to provide construction management services for the AirTrain System to be constructed at the Airport[2]. According to Mr. Ivar Satero of the Airport, the contract was designed as a year-to-year contract, renewable on an annual basis, rather than as a multi-year contract, to permit the Airport to determine annually whether or not it was satisfied with the

[1] In addition to the two joint venture partners, PGH Wong Engineering, Inc. and Luster Construction Management, the original contract included four sub-consultants: CPM Services, EPC Consultants, Inc., AL Consulting, and O'Brien Kreitzberg Inc. Subsequently, the following sub-consultants were added to the contract: Lea + Elliot, Inc., National Constructor's Group, Transit Guideway Consultants, Battelle, Logplan LLC, MG Engineering, Fay & Associates, and Leigh Fisher Associates.

[2] The AirTrain system will be a fully automated transit system used to transport passengers and Airport personnel between the Airport's terminals, parking structures, rental car facilities, cargo facilities, and remote parking facilities. The system comprises (a) the computerized AirTrain Operating System and the Central Control Facility, (b) a 7,000 foot clockwise Inner Loop track, a 7,000 foot counter-clockwise Outer Loop, and an approximately 1.5 mile dual lane track out to the remote parking facilities, (c) six stations, (d) 38 passenger vehicles and one maintenance recovery vehicle, and (e) five power distribution substations.

contractor's performance. Subsequently, the Airport Commission approved six modifications to the subject contract to fund PGH Wong Engineering/Luster Construction Management to provide ongoing construction management services for both:

(a) The AirTrain System and Related BART Fixed Facilities Project. BART fixed facilities related to construction of the AirTrain System include the combined structures supporting both the AirTrain and BART train-track beds.
(b) Oversight of the Airport's share of the BART systems costs of the BART-SFO Extension construction project, which is a component of the current BART-managed project to extend the BART system from Colma to San Francisco Airport and Millbrae.

As shown in Attachment I, provided by Mr. Satero, the current total value of the PGH Wong Engineering/Luster Construction Management contract is $32,847,367 including the proposed Contract Modification No. 7 in the amount of $2,644,367.

According to Mr. Satero, the proposed Contract Modification No. 7 would permit PGH Wong Engineering/Luster Construction Management to:

(a) Provide construction management services during the construction completion, start-up testing, and close-out phases of the AirTrain System and Related BART Fixed Facilities Project. According to Mr. Satero, Contract Modification No. 7 was predicated on an anticipated opening of the AirTrain System in September of 2002. Due to an accident which occurred on August 4, 2002 during testing of the AirTrain System, the opening may be delayed by approximately two months, until October 31, 2002. A collision between two computer-controlled trains resulted in damage to both cars, train-track equipment, and the emergency walkway. Mr. Satero expects that the Airport will require additional PGH Wong Engineering/Luster Construction Management staff time to audit the records and test program of

the AirTrain Operating System contractor, Bombardier (see Comment No. 3).

(b) Oversight and final cost reconciliation of the Airport's portion of the BART systems costs of the BART-SFO Extension Project. These projects include installing the rail lines into the Airport, constructing the power distribution, train control, bulk power supply, and emergency smoke removal systems, and building the five power distribution substations. Mr. Satero forecasts that construction will be completed by January of 2003.

Budget: Attachment I provides descriptions and budget details of the original contract and all contract modifications to date, including the proposed Contract Modification No. 7. A summary of the contract costs is as follows:

Contract Modifications	Amount
Original contract	$1,400,000
Contract Modifications No. 1 – 6	28,803,000
Contract Modification No. 7	2,644,367
TOTAL:	**$32,847,367**

Comments: 1. According to Mr. Satero, the original $1,400,000 contract was awarded to PGH Wong Engineering/Luster Construction Management following a Request for Qualifications process.

2. Under Charter Section 9.118(b), all contracts which are in excess of $10,000,000 or which have a term of ten years or more, except for construction contracts, are subject to Board of Supervisors approval. As shown in Attachment I, the contract with PGH Wong Engineering/Luster Construction Management totaled $10,023,000 with the authorization of Contract Modification No. 2, thereby exceeding the $10,000,000 threshold by $23,000. Contract Modifications Nos. 3 through 6 were not submitted to the Board of Supervisors for approval. On May 31, 2002, the City Attorney issued

Opinion No. 2002-03 pertaining to the application of Charter Section 9.118(b) stating that:

> The City Attorney's Office has received questions in the past concerning the application of Charter section 9.118(b) to construction-related professional services contracts. Although we have not previously issued formal advice on these questions and they have arisen infrequently, deputies have given varying advice to departments concerning this provision.

In Opinion No. 2002-03, the City Attorney advises, with respect to contracts pertaining to architectural, engineering, and construction management services, that Board of Supervisors approval is now required for contract modifications, if the modification causes the cumulative amount of the contract to exceed $10 million, or causes the term of the contract to exceed 10 years.

Therefore, according to Ms. Gretchen Nicholson of the City Attorney's Office, the City Attorney has concluded that the proposed subject Contract Modification No. 7 is subject to Board of Supervisors approval.

3. Mr. Satero states that the Airport anticipates a Contract Modification No. 8 due to the accident which occurred on August 4, 2002 during testing of the computer-controlled AirTrain System. Mr. Satero expects that the Airport will require additional PGH Wong Engineering/Luster Construction Management staff time to audit the records and test program of the AirTrain Operating System contractor, Bombardier. At the time of writing this report, the Airport has neither estimated the number of additional staff hours required nor the total cost of the anticipated Contract Modification No. 8. Contract Modification No. 8 would be subject to Board of Supervisors approval.

4. According to Mr. Satero, construction of the AirTrain System and Related BART Fixed Facilities Project is approximately 97 percent complete. However, at this time, Mr. Satero estimates that the AirTrain System should be operational as of October 31, 2002. Mr. Satero advises that before the August 4, 2002 accident the

AirTrain System had already been approximately 8.5 months behind schedule as a result of:

- Late completion in December of 2000 of segments of the AirTrain train-track bed by the Tutor-Saliba Corporation, which delayed access for construction of the terminal stations by another contractor, DJ Amorosa.
- The delayed terminal station construction, along with several required design changes at the stations, delayed development and testing of the computerized AirTrain Operating System provided by another contractor, Bombardier.

Attachment II is a memo, provided by Mr. Satero, which contains additional information about the AirTrain System construction project delays which preceded the August 4, 2002 accident.

5. According to Mr. Satero, construction by BART of the BART systems portion of the BART-SFO Extension Project was originally scheduled for completion in December of 2001. However, due to construction delays caused by the Joint Powers Board[3] restrictions and requirements for working within the Joint Powers Board right-of-way and the need to protect an endangered species of wetland snake, construction is now scheduled to be operational in January of 2003.

6. According to Mr. Satero, the total cost to the Airport of the AirTrain System and Related BART Fixed Facilities Project is $425,417,522, and the Airport's total share of the BART systems portion of the BART-SFO Extension Project is $74,700,000[4], for a total cost of $500,117,522. Therefore, the total $32,847,367 cost of the Airport's

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[3] The Joint Powers Board is the managing authority responsible for the Caltrain rail system. The membership of the Joint Powers Board includes the City and County of San Francisco, the San Mateo County Transit District, and the Santa Clara Valley Transportation Authority. According to Mr. Satero, approximately 75 percent of the construction work related to the BART-SFO Extension Project took place within Caltrain's right-of-way which necessitated significant protection requirements for Caltrain during the excavation work.

[4] Mr. Satero advises that the Airport's share of the BART systems portion of the BART-SFO Extension Project was determined in conformance with Federal Aviation Administration eligibility guidelines.

contract with PGH Wong Engineering/Luster Construction Management to provide construction management services represents approximately 6.6 percent of the Airport's total costs for the AirTrain and BART projects. According to Mr. Satero, while the Airport budgets 5 percent for construction management services, it adjusts this percentage to provide for project-specific requirements which vary based on a construction project's technical complexity, schedule, coordination requirements, involvement of other agencies, and other factors. Mr. Satero states that the cost of the PGH Wong Engineering/Luster Construction Management contract, at 6.6 percent of the Airport's total costs for the AirTrain and BART projects, is lower than anticipated given the AirTrain System's technical complexity, the degree of interface with adjacent projects, the construction delays to date, and the current testing which is ongoing 24 hours per day, seven days per week. For the Master Plan Expansion Project as a whole, the Airport has experienced a 6.9 percent construction management services cost, according to Mr. Satero.

7. As previously noted, the proposed Contract Modification No. 7 would increase the total PGH Wong Engineering/Luster Construction Management cost by $2,644,367, from $30,203,000 to $32,847,367. The proposed resolution states that the total would be $32,847,364, or $3 less than the actual amount. The proposed resolution should be amended to total $32,847,367.

Recommendations:

1. Amend the proposed resolution to reflect the correct total construction management services contract amount of $32,847,367 instead of $32,847,364.

2. Approve the proposed resolution, as amended.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

San Francisco International Airport

P.O. Box 8097
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MEMORANDUM

TO: Budget Analysts' Office

FROM: Ivar Satero, Administrator
Bureau of Design & Construction

DATE: August 8, 2002

PROJECT: File 02-1290
Modification to Airport Contract 5700.CM - Professional Services Agreement with PGH Wong Engineering/Luster Construction Management

SUBJECT: Summary of Modifications and Funding

As per your request, we are providing additional information regarding previous modifications to the Airports 5700.CM contract with the joint venture of PGH Wong Engineering/Luster Construction Management (Wong/Luster). This contract provides for construction management (CM) services for: SFO's AirTrain System and Related BART Fixed Facilities Project, which are the BART fixed facilities constructed integrally with the AirTrain System and include the combined structures supporting both the AirTrain and BART train-track beds; and, oversight of the Airport's share of the BART systems costs of the BART-SFO Extension construction project, which is a component of the current BART-managed project to extend the BART system from Colma to SFO and Millbrae.

The services to be provided by the CM consultants in support of the Airport Master Plan Expansion Program are described generally in Appendix A of the Professional Services Agreement between the Airport and consultants. The Airport developed a Program Management Manual for implementation by the CM consultants as a minimum Airport requirement for administering and managing construction contracts. The scope of services to be provided by the consultants did not change at each annual modification. The annual modifications typically provided for additional funding, administrative contractual changes and extensions to duration.

Exhibit A attached to this memo summarizes the modifications to the contract and provides a budget breakdown for the allocation of costs to AirTrain as part of the

Master Plan Expansion Program and the Airport's "up to $200 million" contribution to the BART-SFO Extension Project. The budget allocations between the AirTrain and BART Fixed Facilities is based on a 93.61% Airport/6.39% BART split. This split was determined and agreed upon by both parties during the development of the BART-SFO Extension Project - Project Development Agreement, dated April 8, 1997. The budget for the BART Systems is allocable 100% to BART.

Further, Exhibit A provides a comparison of the modification amounts to Wong/Lusters' annual Staffing Plan funding request, with manhours. Typically, the Airport requested from Wong/Luster a proposed "ideal" staffing plan for the next year and a staffing plan through to project completion to assist in updating the forecast-at-completion. Wong/Luster was also given a target budget and was required to submit a staffing plan that correlated with the target budget. The Airport would then meet with the Principal of Wong/Luster and review the target budget staffing plan position by position to determine whether additional positions or manhours were required for each function. The negotiated agreed-upon staffing plan would typically increase the target budget but would be within the overall project budget. The modification amount would be further adjusted to account for any anticipated underrun or overrun from the previous year.

If you have any questions regarding on this information, please don't hesitate to call.

San Francisco International Airport

Attachment II
Page 1 of 2

MEMORANDUM

TO: Budget Analysts' Office

FROM: Ivar Satero, Administrator
Bureau of Design & Construction

DATE: August 7, 2002

PROJECT: File 02-1290
Modification to Airport Contract 5700.CM - Professional Services Agreement with PGH Wong Engineering/Luster Construction Management

SUBJECT: AirTrain Construction Project Delays

The SFO AirTrain project is currently scheduled to complete in September 2002. The original contract completion date for the 5703.A - AirTrain Operating System contract with Bombardier Transportation (formerly Adtranz) is December 15, 2001. This is the final contract to complete for the opening of AirTrain. There have been a number of significant issues encountered throughout the 5 (five) plus years of construction of the various contracts required for the implementation of the AirTrain System which have contributed to this delay.

One of the first construction contracts for AirTrain was the 5700.A - AirTrain Guideway, East Loop contract with Tutor-Saliba Corporation. This contract was scheduled to complete in February 2000. It was completed in December 2000, approximately 10 months behind schedule. These delays were unavoidable and resulted from a number of differing site conditions as well as construction restrictions due to Airport operations. The construction occurred around the domestic terminal loop, both within the existing Central Garage and in the roadways. Due to the age of the existing facilities, there were a significant number of utility conflicts and underground conditions not identified which contributed to the delay. It was not possible to mitigate the delays to this contract due to Airport operational requirements and site restrictions.

The late completion of the 5700.A contract delayed access to the 5706.A - AirTrain Domestic Stations contract. This contract provides for the construction of the

concourse level of the station, platform canopies, conveyances, windscreens, pedestrian bridges and garage connectors. The late access delay was not recoverable, due to the Airport compressing the construction schedule as a result of the anticipated late completion of the 5700.A contract, Airport operational requirements and site restrictions.

Coordinated access was granted to the 5703.A contractor for the installation of the structural steel and barrier wall station doors (the glass doors that open and close with the train doors) as early as possible to minimize the impact resulting from the subsequent construction delays, while assuring a safe working environment. However, design changes to the structural steel supporting the barrier wall and station doors was required which further delayed the 5703.A contractor. This "Airport" delay was concurrent with the delays in the development and testing of Bombardier's "Flexiblok" automated train control system, which ultimately drives out the AirTrain opening date to September 2002.

Given the multitude of construction challenges encountered during the AirTrain construction project, the technical complexity of the various contracts and interfaces with existing Airport facilities and on-going related construction, PGH Wong Engineering/Luster Construction Management has served the Airport well. They have taken appropriate actions to minimize impacts to cost and schedule as a result of the numerous unforeseeable issues. They have accelerated work when appropriate, directed resequencing due to access delays, coordinated access and construction activities for the safe prosecution of the work under the various contracts.

If you have any questions regarding this information, please don't hesitate to call.

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1/02

City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Meeting Agenda

Finance Committee

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

Wednesday, August 21, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

REGULAR AGENDA

1. 021418 **[Planning Commission - Alternative Approval Process]**

Supervisor Peskin

Emergency ordinance amending the San Francisco Planning Code by amending Section 306, and amending the San Francisco Administrative Code by amending Sections 2A.53 and 31.04, to provide for an alternative process to Planning Commission approval where the Planning Commission is unable to meet because a majority of its members has not been appointed; adopting declaration of emergency under Charter Section 2.107; and setting forth period of time within which this emergency ordinance shall be operative.

8/12/02, RECEIVED AND ASSIGNED to Transportation and Commerce Committee.
8/14/02, TRANSFERRED to Finance Committee.

2. 021313 **[Branch Library General Obligation Bond Sale]**

Mayor

Resolution authorizing and directing the sale of not to exceed $23,135,000 City and County of San Francisco General Obligation Bonds (Branch Library Facilities Improvement Bonds, 2000), Series 2002B; prescribing the form and terms of said bonds; authorizing the execution, authentication and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell bonds; directing the publication of the notice of intention to sell bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said bonds. (Mayor)

7/31/02, RECEIVED AND ASSIGNED to Finance Committee.
8/14/02, NO ACTION TAKEN. LACK OF QUORUM..

3. 021445 **[Study of Hetch Hetchy Restoration]**

Supervisors Peskin, Ammiano, Daly

Resolution authorizing San Francisco to participate in a public and independent study of the feasibility of restoring the Hetch Hetchy Valley in Yosemite National Park while meeting the objectives of the Public Utility Commission's Capital Improvement Plan, including the needs to repair aging infrastructure, reduce exposure to natural threats, accommodate changing regulations and meet future demand.

8/12/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsors request this item be scheduled for consideration at the August 21, 2002, meeting.

4. 020794 **[Ellis-O'Farrell Parking Garage Bond Refinancing]**

Mayor

Resolution approving and authorizing the issuance of City of San Francisco Ellis-O'Farrell Parking Corporation Parking Revenue Refunding Bonds to refund in part bonds previously issued by the City of San Francisco Ellis-O'Farrell Parking Corporation; approving a bond indenture modifying the maximum amount of the contingent reserve fund; authorizing and ratifying the execution and delivery of documents reasonably necessary for the issuance, sale and delivery of such refunding bonds; and ratifying previous actions taken in connection therewith. (Mayor)

(Fiscal impact.)

5/13/02, RECEIVED AND ASSIGNED to Finance Committee.
6/5/02, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Monique Moyer, Mayor's Office of Public Finance; Ronald Szeto, Acting Director, Parking Authority; Mr. Pang; Anson Lee, Manager, Ellis-O'Farrell Parking Corporation.
7/31/02, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

5. 021315 **[Contracting out Janitorial Services]**

Resolution concurring with the Controller's Certification that janitorial services can be practically performed at the Asian Art Museum under private contract at a lesser cost than similar work performed by employees of the City and County. (Asian Arts Commission)

7/29/02, RECEIVED AND ASSIGNED to Finance Committee.

6. 021416 **[Grant Federal Funds]**

Mayor

Resolution authorizing the Municipal Transportation Agency Board to accept and expend $15,925,000 of Federal Formula Section 5307 Capital Assistance for San Francisco capital project Motor Coach Replacement, excluding Administrative Overhead Costs. (Mayor)

8/12/02, RECEIVED AND ASSIGNED to Transportation and Commerce Committee. Sponsor requests this item be scheduled for consideration at the August 22, 2002 meeting.
8/13/02, TRANSFERRED to Finance Committee.

7. 021423 **[Lease of Real Property]**

Mayor

Resolution authorizing a new lease of real property at 2525-16th Street on behalf of the Department of Elections. (Mayor)

(Public Benefit Recipient; District 6.)

8/12/02, RECEIVED AND ASSIGNED to Finance Committee.

8. 021290 **[Modification to the Professional Service Agreement for Construction Management Services for SFO AirTrain for a new total contract amount]**

Resolution approving Modification No. 7, the Close-out Modification, to Professional Services Agreement, Contract 5700CM - Construction Management Services for the AirTrain System, with PGH Wong Engineering/Luster Construction Management, in the amount of $2,644,367 for a new total contract amount not to exceed $32,847,364. (Airport Commission)

(Fiscal impact; Public Benefit Recipient.)

7/24/02, RECEIVED AND ASSIGNED to Finance Committee.
8/14/02, NO ACTION TAKEN. LACK OF QUORUM..

9. 021324 **[Airport Concession Lease]**

Resolution approving the Domestic Terminals Automated Teller Machine Lease A between Wells Fargo Bank, N.A. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

(Public Benefit Recipient.)

8/7/02, RECEIVED AND ASSIGNED to Finance Committee.

10. 021403 **[Airport Information Booth Contract, Fiscal Year 2002-2003]**

Resolution approving the Controller's Certification that Airport Information Booth Services at San Francisco International Airport can practically be performed by private contractor at a lower cost than if work were performed by City employees at currently budgeted levels. (Airport Commission)

(Public Benefit Recipient.)

8/7/02, RECEIVED AND ASSIGNED to Finance Committee.

11. 021410 **[Accept and Expend Federal Grant]**

Resolution authorizing the Airport Commission to accept and expend a funding increase from $1,202,500 to $1,695,500 from the Federal Aviation Administration ("FAA") for the SFPD-AIRPORT Bureau K-9 Explosive Detection Team. (Airport Commission)

(Public Benefit Recipient.)

8/7/02, RECEIVED AND ASSIGNED to Finance Committee.

12. 021404 **[Setting San Francisco's fiscal year 2002-2003 property tax rate and establishing pass-through rate for residential tenants]**

Ordinance providing revenue and levying property taxes for City and County purposes and establishing passthrough rate for residential tenants pursuant to chapter 37 of the administrative code for the fiscal year ending June 30, 2003. (Controller)

8/7/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the August 21, 2002 meeting.

13. 021405 **[Setting San Francisco Community College District's fiscal year 2002-2003 property tax rate to be included in the City's overall property tax rate]**

Ordinance providing revenue and levying property taxes for San Francisco Community College District purposes for the fiscal year ending June 30, 2003. (Controller)

8/7/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the August 21, 2002 meeting.

14. 021406 **[Setting San Francisco's Unified School District's fiscal year 2002-2003 property tax rate to be included in the City's overall property tax rate]**

Ordinance providing revenue and levying property taxes for San Francisco Unified School District's purposes for the fiscal year ending June 30, 2003. (Controller)

8/7/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the August 21, 2002 meeting.

15. 021407 **[Rescind funding for the Art Commission for municipal symphony concerts using property tax revenue]**

Ordinance rescinding $31,964 in appropriation authority for the municipal symphony concerts using property tax revenue, pursuant to Charter Section 16.106(1) for the Art Commission for fiscal year 2002-03. (Controller)

8/7/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the August 21, 2002 meeting.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceeding begins, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to Committee Clerk, Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, California 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above.

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.42 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

021339 **[Financial Information Privacy]**

Supervisor Peskin

Ordinance amending the San Francisco Business and Tax Regulations Code to enact a new Article 20 to provide for the protection of private financial information.

7/29/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 8/28/2002.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.ci.sf.ca.us/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are televised on channel 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language translation at a meeting must be received no later than noon the Friday before the meeting. Contact Ohn Myint at (415) 554-7704.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 必須在會議前最少四十八小時提出要求
請電 (415) 554-7701

Disability Access

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

The following services are available when requested by 4:00 p.m. of the Friday before the Board meeting:

For American Sign Language interpreters, use of a reader during a meeting, or sound enhancement system, contact Ohn Myint at (415) 554-7704.

For a large print copy of agenda or minutes in alternative formats, contact Annette Lonich at (415) 554-7706.

The Clerk of the Board's Office TTY number for speech-hearing impaired is (415) 554-5227.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 409, by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org
Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/bdsupvrs/sunshine.htm

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

FINANCE COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

August 15, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: August 21, 2002 Finance Committee Meeting

Item 2 – File 02-1313

Department: Public Library
Mayor's Office of Public Finance

Item: Resolution authorizing and directing the sale of not to exceed $23,135,000 City and County of San Francisco General Obligation Bonds (Branch Library Facilities Improvement Bonds, 2000), Series 2002B; prescribing the form and terms of said bonds; authorizing the execution, authentication and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts related thereto; approving the forms of official notice of sale and notice of intention to sell bonds; directing the publication of the notice of intention to sell bonds; approving the form and execution of the official statement relating thereto; approving the form of the continuing disclosure certificate; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to City officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said bonds.

Amount: Not to exceed $23,135,000

Description:

On November 7, 2000, San Francisco voters approved Proposition A, Branch Library Facilities Improvement Bonds, which authorized the City to issue up to $105,865,000 in General Obligation Bonds to:

- Rehabilitate, renovate, and improve 19 of the 24 existing branch libraries. This work includes seismic upgrades, improved disability access, mitigation of hazardous materials, modernizing and upgrading building systems, reconfiguration and expansion of interior spaces, and other improvements.
- Acquire land and construct four new branch libraries currently housed in leased facilities in the Glen Park, Ingleside, Portola, and Visitacion Valley neighborhoods.
- Construct one new branch library in the Mission Bay neighborhood.
- Construct a new system-wide administrative support services center.

Attachment I, provided by the Public Library, contains a list of all the projects to be funded by the Branch Library Facilities Improvement Bonds and their estimated costs. Total estimated project costs are $118,515,000. According to Mr. George Nichols of the Public Library, these total estimated project costs will be funded by:

- Branch Library Facilities Improvement Bonds ($105,865,000).
- Earthquake Safety Program II funds ($2,400,000).
- State Proposition 14 funds ($10,250,000).[1]

Mr. Nichols advises that construction and improvements of the branch libraries are scheduled for completion by the spring of 2010. All projects are on schedule at this time, according to Mr. Nichols.

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[1] State Proposition 14, approved by the voters in March of 2000, provides $350,000,000 of State funds for library construction projects, which is awarded to libraries statewide on a competitive basis, and which requires a 35 percent local match. In January of 2002, the Public Library established a program reserve to cover the possibility that the State Proposition 14 funding allocated to San Francisco in the amount of $10,250,000 is not fully granted.

Attachment II, provided by the Public Library, contains the following information on each of the branch library facilities improvement projects:

- Actual expenditures to date.
- Anticipated additional expenditures.
- Actual or estimated start date.
- Estimated completion date.

Although the sale of Branch Library Facilities Improvement Bonds, Series 2001E in the amount of $17,665,000 was authorized by the Board of Supervisors in May of 2001, only $866,899 have been expended or encumbered, as noted in Attachment II. This is because the Branch Library Facilities Improvement Program start-up was delayed while the Public Library went through the process of hiring a program manager, according to Mr. Nichols. In terms of the sites for the new branch libraries and the System-wide Administrative Support Services Center, and the preliminary project designs, Mr. Nichols states that the initial project schedule was optimistic in terms of the amount of time it would take to survey available sites, develop the preliminary designs, obtain community input about the sites and preliminary designs, and obtain authorization to acquire the sites. Most of that work has now been completed and the Public Library is ready to move forward with the design review and approval and site acquisition stages of the projects, according to Mr. Nichols.

Attachment III, provided by the Public Library, is a schedule of the anticipated dates when the remaining bonds of $65,065,000 will be sold ($105,865,000 less $17,665,000 for Branch Library Facilities Improvement Bonds, Series 2001E, and the proposed sale of $23,135,000 for Branch Library Facilities Improvement Bonds, Series 2002B).

On May 14, 2001, the Board of Supervisors approved the general terms and procedures for the issuance of the $105,865,000 in Branch Library Facilities Improvement Bonds. The Board of Supervisors approved the following general provisions regarding issuance of these bonds:

- The bonds shall be divided into various series, as authorized by the Board of Supervisors.
- Property Taxes collected to pay debt service on the bonds would be deposited in a special account, which would be created specifically for this purpose.
- The proceeds of the sale of the bonds would be deposited into a Project Account, maintained by the City Treasurer, and would be applied exclusively to the projects approved under the subject bond.
- The City Treasurer may appoint fiscal agents or financial institutions to distribute bond interest and principal payments.
- The Board of Supervisors may, by resolution, authorize and direct the sale of any series of bonds to provide for the defeasance of such series bonds. Defeasance refers to either the full repayment of the bonds or the advance refunding of bonds by placement of sufficient funds in an escrow account and purchase of high quality investments such that the resulting cashflow is sufficient to meet future debt service requirements.

On May 14, 2001, the Board of Supervisors authorized the sale of the initial series of Branch Library Facilities Improvement Bonds, Series 2001E, in a principal amount not to exceed $17,665,000. These bonds were issued on July 12, 2001, at a 4.68 percent interest rate for a 20 year term, with a June 15, 2021 maturity date.

The Public Library is now seeking Board of Supervisors approval to sell a second series of Branch Library Facilities Improvement Bonds. Branch Library Facilities Improvement Bonds, Series 2002B would be issued in an amount not to exceed $23,135,000.

Budget:

The Public Library proposes to expend the estimated $23,135,000 in proceeds from the Branch Library Facilities Improvement Bonds, Series 2002B as shown in the table on the following page:

	Amount
Architectural, engineering, and design services	$3,937,418
Construction	952,500
Site acquisition	16,243,550
Program management	818,532
Relocation and moving	1,080,000
Costs of issuance	103,000
TOTAL:	**$23,135,000**

Attachment IV, provided by the Public Library, contains the expenditure categories of the branch library facilities improvement projects and budget details to support the above summary budget for the subject bond proceeds of $23,135,000. Mr. Nichols advises that the budget information is based on preliminary estimates.

Comments:

1. According to Ms. Karen Ribble of the Mayor's Office of Public Finance, the sale of the General Obligation Bonds is tentatively scheduled for September 18, 2002. The bonds will have a term of approximately 20 years, with an anticipated final maturity date of June 15, 2022. The bonds would be awarded to the bidder whose bid represents the lowest true interest cost to the City. Based on current market estimates as of July 31, 2002, the overall effective interest rate on the proposed Branch Library Facilities Improvement Bonds, Series 2002B would be approximately 4.825 percent, according to Ms. Ribble. Under those circumstances, it is estimated that the proposed sale of bonds in the amount of $23,135,000 would result in a total debt service over the 20 year life of the bonds of approximately $36,058,000, including the principal amount of $23,135,000 and interest payments of $12,923,000. The estimated average annual debt service over the estimated 20 year life of the bonds is approximately $1,802,000.

2. According to the Controller's Office, the proposed Series 2002B sale of General Obligation Bonds in the amount of $23,135,000 would result in an increase in the Property Tax rate of approximately $0.00191 per $100 of assessed value. At that rate, the owner-occupier of a single-family residence assessed at $400,000 (net of the $7,000 homeowner's exemption) would pay approximately $7.64 in additional Property Taxes annually due to the issuance of these bonds.

3. On June 3, 2002, the Board of Supervisors approved the sale of up to $6,210,000 in Zoo Facilities Bonds, Series 2002A. Ms. Ribble advises that the Mayor's Office of Public Finance has decided to sell these Zoo Facilities Bonds at the same time as the proposed Branch Library Facilities Improvement Bonds, Series 2002B in order to reduce the City's bond issuance costs. Ms. Ribble advises that approximately $210,000 will be saved in bond issuance costs by selling both bond issuances simultaneously. Attachment V, provided by the Mayor's Office of Public Finance, details the bond issuance costs in the estimated amount of $210,000, or approximately 0.72 percent of the total value of the bond sales in the amount of $29,345,000 ($23,135,000 for the Branch Library Facilities Improvement Bonds, Series 2002B, plus $6,210,000 for the Zoo Facilities Bonds, Series 2002A). Ms. Ribble reports that the bond issuance costs are to be paid from the bond proceeds.

4. Ms. Ribble reports that, as of June 30, 2002, the City had $917,220,000 in outstanding General Obligation Bond debt. The City's General Obligation Bond debt capacity is limited to 3 percent of the City's net assessed property value. According to Ms. Ribble, the City's total debt capacity is currently $2,812,149,774, or 3 percent of an estimated net assessed property value of $93,738,325,815 for FY 2002-2003. If the Board of Supervisors authorizes the sale of the proposed Branch Library Facilities Improvement Bonds, Series 2002B in the amount of $23,135,000, and after the sale of the Zoo Facilities Bonds, Series 2002A in the amount of $6,210,000, the City will have $946,565,000 in General Obligation Bond debt outstanding ($917,220,000 plus $23,135,000 for the Branch Library Facilities Improvement Bonds, Series

2002B, plus $6,210,000 for Zoo Facilities Bonds, Series 2002A). This will leave $1,865,584,774 in General Obligation Bond capacity remaining.

5. Ms. Ribble advises that due to the Bond Accountability Ordinance, there must be a 60 day waiting period between introduction of a General Obligation Bond proposal and consideration by the full Board of Supervisors. Under that rule, the earliest date by which the full Board of Supervisors can consider sale of the proposed Branch Library Facilities Improvement Bonds, Series 2002B is August 26, 2002, according to Ms. Ribble.

6. According to Mr. Nichols, the anticipated General Obligation Bond proceeds from the proposed bond sale in the amount of $23,135,000 have already been appropriated in the Public Library's FY 2002-2003 budget.

Recommendation: Approve the proposed resolution.

BRANCH LIBRARY IMPROVEMENTS
BOND PROGRAM REPORT

8/8/02

BRANCHES	Year Opened	PROGRAM: Seismic Upgrade	Disabled Access	Building Code Impacts	Modernization Improvements	Facility Expansion	New Building	ESTIMATED COSTS: Rehabilitation, Improvement & Relocation	Expansion	Site Acquisition	New Building	Program Mgt. & Reserve	Totals
Anza	1932	✓	✓	✓	✓	✓		3,717,000	786,000				$ 4,503,000
Bayview-A.E.Waden	1969		✓	✓	✓	✓		2,944,000	685,000				$ 3,629,000
Bernal	1940	✓	✓	✓	✓	✓		4,630,500	452,000				$ 5,082,500
Eureka Valley	1961	✓	✓	✓	✓	✓		3,618,000	733,000				$ 4,351,000
Excelsior	1967	✓	✓	✓	✓			3,629,000					$ 3,629,000
Glen Park	Rental						✓				4,681,000		$ 4,681,000
Golden Gate Valley	1918	✓	✓	✓	✓	✓		4,420,000	653,000				$ 5,073,000
Ingleside	Rental						✓			1,770,000	2,618,000		$ 4,388,000
Marina	1954	✓	✓	✓	✓	✓		3,162,000	742,500				$ 3,904,500
Merced	1958	✓	✓	✓	✓	✓		3,204,000	786,000				$ 3,990,000
Mission Bay							✓				3,304,000		$ 3,304,000
Noe Valley	1916	✓	✓	✓	✓	✓		3,624,000	565,500				$ 4,189,500
North Beach	1959	✓	✓	✓	✓	✓		2,842,000	445,000				$ 3,287,000
Ortega	1956	✓	✓	✓	✓	✓		2,749,000	633,000				$ 3,382,000
Park	1909				✓			1,244,500					$ 1,244,500
Parkside	1951	✓	✓	✓	✓			2,736,000					$ 2,736,000
Portola	Rental						✓			1,770,000	2,618,000		$ 4,388,000
Potrero	1951	✓	✓	✓	✓	✓		3,398,000	620,500				$ 4,018,500
Presidio	1921				✓			1,453,500					$ 1,453,500
Richmond	1914	✓	✓	✓	✓	✓		5,068,000	2,073,500				$ 7,141,500
Sunset	1918				✓			1,415,500					$ 1,415,500
Visitacion Valley	Rental						✓			2,090,000	3,020,500		$ 5,110,500
West Portal	1939	✓	✓	✓	✓	✓		3,596,000	308,500				$ 3,904,500
Western Addition	1966	✓	✓	✓	✓			3,258,500					$ 3,258,500
Support Services Center			✓	✓	✓						8,626,000		$ 8,626,000
Library Program Management												800,000	$ 800,000
Program Consultants												750,000	$ 750,000
City Program Management												3,600,000	$ 3,600,000
Real Estate Department												120,000	$ 120,000
Art Enrichment Fund												302,000	$ 302,000
Relocation & Moving								4,320,000					$ 4,320,000
Cost of Issuance												1,500,000	$ 1,500,000
Program Reserve			✓	✓	✓			-				6,432,500	$ 6,432,500
Project Costs								$ 65,029,500	$ 9,483,500	$ 5,630,000	$ 24,867,500	$ 13,504,500	$ 118,515,000
Anticipated State Funds (Proposition 14)													$ (10,250,000)
Earthquake Safety Program II (ESP II) Funds													$ (2,400,000)
TOTAL BOND - BRANCH LIBRARY IMPROVEMENTS													$ 105,865,000

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Attachment I

Attachment II

8/8/02

BRANCH LIBRRY IMPROVEMENTS
BOND PROGRAM BUDGET REPORT

	Budget	Exp./Encumb. (thru 6/30/02)	Balance	Start Date	End Date
Anza	$ 4,503,000		$ 4,503,000	May-05	Sep-08
Bayview-A.E.Waden	$ 3,629,000		$ 3,629,000	Jan-05	Nov-06
Bernal	$ 5,082,500		$ 5,082,500	May-05	Sep-08
Eureka Valley	$ 4,351,000		$ 4,351,000	Sep-04	Feb-07
Excelsior	$ 3,629,000	$ 156,172	$ 3,472,828	Feb-02	Sep-04
Glen Park	$ 4,681,000	$ 53,422	$ 4,627,578	Mar-01	Dec-04
Golden Gate Valley	$ 5,073,000		$ 5,073,000	May-05	Sep-08
Ingleside	$ 4,388,000	$ 45,205	$ 4,342,795	Mar-01	Sep-07
Marina	$ 3,904,500		$ 3,904,500	Mar-02	Jan-05
Merced	$ 3,990,000		$ 3,990,000	Mar-07	Dec-09
Mission Bay	$ 3,304,000	$ 50,227	$ 3,253,773	Feb-01	Jul-04
Noe Valley	$ 4,189,500	$ 23,539	$ 4,165,961	Mar-02	Aug-05
North Beach	$ 3,287,000		$ 3,287,000	Jan-04	Mar-07
Ortega	$ 3,382,000		$ 3,382,000	Jun-04	Oct-07
Park	$ 1,244,500		$ 1,244,500	Aug-07	Aug-09
Parkside	$ 2,736,000		$ 2,736,000	Mar-02	Jan-05
Portola	$ 4,388,000	$ 76	$ 4,387,924	Mar-01	Dec-06
Potrero	$ 4,018,500		$ 4,018,500	Jan-05	Aug-08
Presidio	$ 1,453,500		$ 1,453,500	Aug-07	Aug-09
Richmond	$ 7,141,500	$ 192,516	$ 6,948,984	Feb-03	Jun-06
Sunset	$ 1,415,500	$ 8,469	$ 1,407,031	Feb-03	Nov-05
Visitacion Valley	$ 5,110,500		$ 5,110,500	Mar-01	Dec-06
West Portal	$ 3,904,500		$ 3,904,500	Feb-02	Jan-05
Western Addition	$ 3,258,500		$ 3,258,500	Sep-04	Feb-07
Support Services Center	$ 8,626,000		$ 8,626,000		
Library Program Management	$ 800,000	$ 3,817	$ 796,183		
Program Consultants	$ 750,000	$ 84,975	$ 665,025		
City Program Management	$ 3,600,000	$ 143,044	$ 3,456,956		
Real Estate Department	$ 120,000	$ 120,000	$ -		
Art Enrichment Fund	$ 302,000	$ 4,738	$ 297,262		
Relocation & Moving	$ 4,320,000		$ 4,320,000		
Cost of Issuance	$ 1,500,000	$ 173,215	$ 1,326,785		
Program Reserve	$ 6,432,500		$ 6,432,500		
Project Costs	$118,515,000	$ 1,059,415	$ 117,455,585		
Anticipated State Funds (Proposition 14)	$ (10,250,000)	$ -	$ (10,250,000)		
Earthquake Safety Program II (ESP II) Funds	$ (2,400,000)	$ (192,516)	$ (2,207,484)		
TOTAL BOND - BRANCH LIBRARY IMPROVEMENTS	$105,865,000	$ 866,899	$ 104,998,101		

Attachment III
8/8/02

BRANCH LIBRARY IMPROVEMENTS
BOND SALE SCHEDULE

June 2001	$ 17,665,000
September 2002	$ 23,135,000
January - March 2004	$ 20,100,000
April - June 2005	$ 21,500,000
October - December 2006	$ 17,500,000
April - June 2008	$ 5,965,000
TOTAL	$ 105,865,000

FY 2002-03
BRANCH LIBRARY FACILITIES IMPROVEMENT BOND

	Excelsior	Visitacion Valley	Ingleside	North Beach	Portola	Sunset	West Portal	Ortega	Glen Park	Mission Bay	Support Center	TOTAL
A/E/C Services	$ 1,041,899	$ 132,147	$ 114,554	$ 943,710	$ 114,554	$ 389,169	$ 1,120,996	$ 80,389	$ -	$ -		$ 3,937,418
Construction	$ -			$ -	$ -	$ -	$ -	$ -	$ 952,500	$ -		$ 952,500
Site Acquisition	$ -	$ 2,090,000	$ 1,770,000	$ -	$ 1,770,000	$ -	$ -	$ -	$ -	$ 1,987,550	$ 8,626,000	$ 16,243,550
Subtotal	**$ 1,041,899**	**$ 2,222,147**	**$ 1,884,554**	**$ 943,710**	**$ 1,884,554**	**$ 389,169**	**$ 1,120,996**	**$ 80,389**	**$ 952,500**	**$ 1,987,550**	**$ 8,626,000**	**$ 21,133,468**
Program Management												$ 818,532
Relocation & Moving												$ 1,080,000
Cost of Issuance												$ 103,000
TOTAL												**$ 23,135,000**

NOTES:

A/E/C SERVICES: Estimated cost of architectural and engineering plan and design services for scheduled projects.

CONSTRUCTION: Glen Park Branch Library Project is a mixed use project located at the corner of Diamond and Wilder Streets. The Library will purchase from Glen Park Marketplace Phoenix, LLC a condominium unit which is to be delivered as an enhanced shell with a separate main entrance. The Library parcel consists of 9,200 square feet, consisting of 700 square feet of ground floor space on Diamond Street and 8,500 square feet of space over a ground floor parcel on the second floor of the Project, along with 4,000 square feet of air rights above the Diamond Street portion of the Project. The project will contain a 5,000 square foot retail unit (initially a grocer) and approximately 15 individual residential units. The Library Commission approved a letter of intent to lead to a final purchase agreement with the owners of the property commonly known as the "Diamond Super".

SITE ACQUISITION: Estimated purchase price of parcels under consideration for locating branch libraries as well as the estimated cost of purchasing a site/building for the Support Services Center. Sites include; a) Mission Bay: The Library is finalizing a purchase and sale agreement with the SF Redevelopment Agency for this Branch. The new Branch Library is part of the Mission Bay Development Project -- a project of Catellus Development Corporation under the authority of the San Francisco Redevelopment Agency. The SFRDA project is divided into two phases. The new branch will be located north of the channel in Phase I. The branch will be located in a multi-use facility approximately 173,000 SF in size located at the corner of 4th and Berry Street on the channel. The largest use of the space will be for an adult day health program and senior housing units. In addition to the Library it will house non-profit office space, retail storefronts and a large community meeting room. The Library will be approximately 8,000 SF in size and will be located on the ground floor with an entrance on 4th Street and a view of the channel on the south side. b) Ingleside: The Library is pursuing the purchase of the Sunset Auto site located at 1250 Ocean Avenue. The Library Commission has directed the City's Real Estate division to enter into purchase negotiations with the property owner of the Sunset Auto site. The new building will be approximately 6,000 SF in size. c) Portola: The Library is working with the San Francisco Unified School District to acquire a site located at the Martin Luther King Jr. Middle School. The Library Commission directed the City's Real Estate Division staff to enter into purchase negotiations with San Francisco Unified School District for the MLK School site. The new building will be approximately 6,000 SF in size. d) Visitacion Valley: The Library is working with the Department of Real Estate on potential sites for the Visitacion Valley Branch Library. d) Support Services Center: The Library is working with the Department of Real Estate on the potential purchase of a commercial building located at 190- 9th Street. The building is a three story structure with 45,000 sq. feet. The building has recently been remodeled and updated and is ideally suited for use by the Library's Technical Services Department and it is located very near the Main Library. The Library Commision has approved a Letter of Intent requesting the Department of Real Estate to enter into negotiations for the acquisition of 190 – Ninth Street as the location for the Library's Support Services Center.

PROGRAM MANAGEMENT: Includes estimated expenditures for program management services provided by the Department of Public Works, the Public Library, and other City Agencies. Also includes the cost of planning consultants.

RELOCATION: Estimated relocation and moving costs for projects.

COST OF ISSUANCE: Cost of issuing bonds. Includes bond counsel fees, financial advisor fees, city staff, POS/OS printing, rating agency fees, and advertising.

Attachment V

Estimated Cost of Issuance Breakdown

Bond Counsel Fees	36,000.00
Financial Advisor Fees	21,000.00
City Staff [1]	65,000.00
POS/OS Printing	15,000.00
Rating Fees [1]	44,750.00
Advertising (Bond Buyer and other)	2,500.00
Contingency	25,750.00
	210,000.00

[1] Moody's, S&P and Fitch

Item 4 – File 02-0794

Note: This item was continued by the Finance Committee at its meeting of July 31, 2002.

Department: Parking Authority
Mayor's Office of Public Finance

Item: Resolution (1) approving the issuance of Parking Revenue Refunding Bonds by the San Francisco Ellis-O'Farrell Parking Corporation in an amount not to exceed $6,500,000, to refinance bonds issued in 1992 which funded the seismic upgrade and expansion of the Ellis-O'Farrell Public Parking Garage; (2) approving a bond indenture modifying the maximum amount of the Contingent Reserve Fund by 50 percent from $500,000 to $750,000; (3) authorizing and ratifying the execution and delivery of documents reasonably necessary for the issuance, sale and delivery of such refunding bonds; and (4) ratifying previous actions taken in connection therewith.

Amount: Not to exceed $6,500,000

Source of Funds: San Francisco Ellis-O'Farrell Parking Corporation Parking Revenue Refunding Bonds

Description: According to Mr. Ron Szeto of the Department of Parking and Traffic (DPT), the City-owned Ellis-O'Farrell Public Parking Garage, located at 123 O'Farrell Street, is leased by the City to the San Francisco Ellis-O'Farrell Parking Corporation, a nonprofit corporation. Attachment I, provided by DPT, contains background information on the San Francisco Ellis-O'Farrell Parking Corporation and their existing lease agreement with the City. Mr. Szeto advises that, under the terms of the approximately 26-year lease between the City and the Corporation which began on June 1, 1991 and terminates on April 1, 2017[1], the Corporation is required to obtain Board of Supervisors approval for the issuance of tax-exempt bonds and the execution of various documents related to such bonds. In 1992, the Board of Supervisors authorized the Corporation to issue $6,500,000 in Parking Revenue Bonds to seismically upgrade the Ellis-O'Farrell Garage

[1] According to the terms of the lease between the City and the Corporation, the lease period began on June 1, 1991 and terminates on the earlier of 50 years (May 31, 2041) or the date of the last debt service payment (April 1, 2017).

and expand the Garage by adding approximately 350 parking spaces on two and one-half additional parking levels. According to Ms. Nadia Sesay of the Mayor's Office of Public Finance, the outstanding principal amount of debt from the original 1992 $6,500,000 bond issuance is $5,225,000 as of May 20, 2002.

Approval of the proposed resolution would authorize the San Francisco Ellis-O'Farrell Parking Corporation to issue tax-exempt Parking Revenue Refunding Bonds in an amount not to exceed $6,500,000, in order to refund the outstanding 1992 Parking Revenue Bonds. According to Mr. Szeto, these Parking Revenue Refunding Bonds would be repaid from the gross receipts of the Ellis-O'Farrell Garage. According to Mr. Szeto, these Parking Revenue Refunding Bonds, as with the original 1992 Parking Revenue Bonds, do not require the City's General Fund to repay the bonds.

According to Ms. Sesay, the existing 1992 Parking Revenue Bonds have interest rates of between 6.9 percent and 7.125 percent and were issued with a 25-year term, with a final payment date on April 1, 2017. The 1992 Parking Revenue Bonds can be called from investors on or after April 1, 2002. According to Ms. Sesay, the estimated true interest cost for the subject proposed Parking Revenue Refunding Bonds is 4.89 percent and the bonds would have an approximately 15-year term with the final payment still due on April 1, 2017. Attachment II, provided by the Mayor's Office of Public Finance, is a debt service comparison between the 1992 Parking Revenue Bonds and the proposed Parking Revenue Refunding Bonds, and an explanation of the one-time versus the 15-year aspects of the savings.

As shown in Attachment II, the proposed refinancing of the 1992 Parking Revenue Bonds will result in an estimated total savings in aggregate debt service of $430,043.61, of which $428,000 would be realized on the anticipated issue date of September 10, 2002 as a one-time upfront savings plus $2,043.61 in net present value savings over the 15-year term of the bonds. This estimated savings is based on a par amount of $5,225,000 (the outstanding principal amount of debt on the original

1992 bonds) at an average annual interest rate of 4.89 percent for a term of 15 years, according to Ms. Sesay.

According to the terms of the existing indenture between the Corporation and the Bank of America National Trust and Savings Association for the 1992 Parking Revenue Bonds, the Corporation retains 15 percent up to $500,000 maximum of net annual revenues[2] from the operation of the Ellis-O'Farrell Garage in a Contingent Reserve Fund to be used only for Garage capital improvements. The proposed resolution would approve an indenture between the Corporation and the Trustee of the proposed Refunding Bonds, to be selected in August of 2002 through a competitive bid process, to increase the maximum amount net revenues that the Corporation retains in the Contingent Reserve Fund by 50 percent from $500,000 to $750,000. According to the terms of the proposed indenture, whenever any funds are withdrawn for capital improvements from the Contingent Reserve Fund, the amount withdrawn would be replaced from subsequent net revenues up to $750,000. However, the Contingent Reserve Fund could not be allocated an amount in excess of 15 percent of the Garage's net revenues in any one year. According to Mr. Szeto, increasing the maximum amount of the Contingent Reserve Fund by 50 percent is necessary to allow the Corporation to set aside sufficient funds to address needed capital improvements including office renovations, the purchase of digital cameras for the vehicle entry lanes and stairwells, and other necessary improvements.

Attachment III, provided by DPT, shows the actual and projected sources and uses of Ellis-O'Farrell Garage revenues from 1999 to 2017 (year ending April 30th). As shown in Attachment III, in 2003 the Corporation would retain in the Contingent Reserve Fund the estimated one-time savings of $428,000 from issuance of the proposed Parking Revenue Refunding Bonds, resulting in a Contingent Reserve Fund total of $467,925 in 2003 (year ending April 30th). According to the projections contained in Attachment III, at no time during the 15-year term of

[2] Net revenues are equal to gross receipts less Parking Taxes, operating expenses and annual debt service.

the proposed Parking Revenue Refunding Bonds does the Contingent Reserve Fund total more than $467,925. Therefore, the Budget Analyst questions the need to increase the maximum amount of net revenues that the Corporation retains in the Contingent Reserve Fund by 50 percent, from $500,000 to $750,000, as is proposed in the new indenture for the subject Parking Revenue Refunding Bonds. Mr. Szeto responds in Attachment IV to the Budget Analyst's point by stating "There is always the possibility that the planned capital work for 2003 and subsequent years may not start or be completed exactly as scheduled within the Corporation's fiscal year. For this reason and the real possibility that the economy and the garage revenues will recover in the near future, the proposed Contingent Reserve Fund maximum limit of $750,000 will insure the availability of needed capital improvement funds without imposing a use or lose situation that does not have a negative financial impact to the City."

According to Mr. Szeto, the Parking and Traffic Commission must approve capital improvement expenditures from the Contingent Reserve Fund, which are incurred by the San Francisco Ellis-O'Farrell Parking Corporation. Mr. Szeto reports that such expenditures are not subject to Board of Supervisors approval.

Comments:

1. According to Ms. Sesay, the principal that would be outstanding on the prior 1992 Parking Revenue Bonds will be $5,225,000 on the date that the 1992 Parking Revenue Bonds are called, which is anticipated to be on October 14, 2002. The prior 1992 Parking Revenue Bonds have a Debt Service Reserve Fund which has a current balance of approximately $585,693. Those monies from the Debt Service Reserve Fund would be released when the 1992 Parking Revenue Bonds are defeased.[3] According to Ms. Sesay, approximately $565,940 of the $585,693 Debt Service Reserve Fund would be used to fund a new Debt Service Reserve Fund[4] for the proposed refunding

[3] Defeasance is the term used to describe the termination of all rights and interests of the bondholders upon final payment of all debt service, in the manner required by the terms and conditions of the bond resolution.

[4] Under the terms of the proposed refunding bond issuance and in accordance with Internal Revenue Service (IRS) Tax Regulations, the Corporation is required to fund a Debt Service Reserve Fund in

bonds. According to Ms. Sesay, the balance of $19,753 ($585,693 less $565,940) would be allocated to an Escrow Fund for use in paying off the 1992 Parking Revenue Bonds. Ms. Sesay advises that a Debt Service Reserve Fund is required to provide for debt service payments in case of a funding shortfall. If a shortfall occurs, and the Trustee is required to pay debt service from this Reserve Fund, then the Reserve Fund would be replenished by Garage revenues.

2. According to Ms. Sesay, the proceeds deposited in the Escrow Fund from the anticipated September 10, 2002 sale of the subject Parking Revenue Refunding Bonds will be held by a third party trustee (the "Escrow Agent") to be selected through a competitive bid process in August of 2002. On the anticipated bond call date of October 14, 2002, the Escrow Agent will redeem the 1992 Parking Revenue Bonds with the monies held in the Escrow Fund.

3. According to Ms. Sesay, the cost of issuance is estimated to be $250,000 for the proposed refunding bonds. Ms. Sesay reports that the cost of issuance is to be paid with bond proceeds.

4. Ms. Sesay anticipates that the proceeds from the sale of the subject Refunding Bonds will be invested in State and Local Government securities until October 14, 2002, the anticipated call date for the 1992 Parking Revenue Bonds.

5. Ms. Sesay notes that the exact amount of the proposed Parking Revenue Refunding Bond issuance in an amount not to exceed $6,500,000, will not be known until the date of the sale of the Parking Revenue Refunding Bonds, as the interest rate will affect the aggregate principal amount needed to fund the refunding escrow account and the bond insurance. However, Ms. Sesay advises that it is standard industry practice that issuance of refunding bonds must result in a debt service savings of at least

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the amount equal to the lesser of 10 percent of the par amount of the proposed Refunding Bonds, 100 percent maximum annual debt service or 125 percent average annual debt service on the proposed Refunding Bonds. In this case, the amount of the Debt Service Reserve Fund is an amount equal to 100 percent maximum annual debt service on the proposed Refunding Bonds or approximately $565,940.

three percent of the bonds to be refunded, which in this case, for the original 1992 bonds, is $5,225,000. Therefore, in order to assure debt service savings of at least three percent, the Budget Analyst recommends that the proposed resolution be amended by adding the following provision:

> "further provided, that the par amount of the refunding bonds issued shall not exceed an amount that will produce a net present value debt service savings of at least three percent of the refunded amount of $5,225,000 to defease the Series 1992 Bonds, or $156,750 as certified by the Corporation's independent financial advisor as a pre-condition to the Corporation's delivery of the Parking Revenue Refunding Bonds to the Trustee."

Ms. Sesay concurs with the Budget Analyst's recommendation.

6. According to Ms. Theresa Alvarez of the City Attorney's Office's, although the proposed resolution includes a provision to ratify previous actions taken in connection with the issuance of the proposed Parking Revenue Refunding Bonds, Ms. Alvarez is not aware of any such actions that have been taken.

7. At its meeting of June 5, 2002, the Finance Committee requested DPT to evaluate the potential for having the City defease the existing bonds and dissolve the San Francisco Ellis-O'Farrell Parking Corporation. Attachment V, provided by Mr. Szeto, is a memorandum in response to the Committee's request. Attachment VI is a memorandum from Mr. Michael Martin of the City Attorney's Office's commenting on this matter.

Recommendations:

1. In accordance with Comment No. 5 above, amend the proposed resolution to require that the par amount of the Parking Revenue Refunding Bonds to be issued by the San Francisco Ellis-O'Farrell Parking Corporation shall not exceed an amount that will produce a net present value debt service savings of less than three percent of the $5,225,000 which is the outstanding balance of the 1992 bonds to be refunded.

2. As noted in the Description Section above, the Budget Analyst questions the need to increase the maximum amount of net revenues that the Corporation retains in the Contingent Reserve Fund by 50 percent, from $500,000 to $750,000, as is proposed in the new indenture for the subject Parking Revenue Refunding Bonds, because at no time during the 15-year term of the proposed Parking Revenue Refunding Bonds does the Contingent Reserve Fund total more than $467,925 according to the projections contained in Attachment III.

3. Approval of the proposed resolution, as amended, is a policy decision for the Board of Supervisors.

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: May 22, 2002

TO: Ms. Anna LaForte
Analyst
Budget Analyst's Office

FROM: Ronald Szeto RS
Acting Director
Parking Authority

SUBJECT: City of San Francisco Ellis-O'Farrell Parking Corporation Refunding Bonds

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Background:

In 1991, the Board of Supervisors approved a Lease, dated as of June 1, 1991, (the "Lease") between the City and County of San Francisco (the "City") and the City of San Francisco Ellis O'Farrell Parking Corporation (the "Corporation") for the management of the Ellis O'Farrell Garage (the "Garage"). Under the terms of the Lease, the Corporation is required to obtain City approval for the issuance of tax-exempt bonds and the execution of various documents relating thereto.

Also under the terms of the Lease, the Corporation is required to solicit a professional parking operator through a competitive process for the daily parking management of the Garage and to obtain the Parking and Traffic Commission authorization to execute a management agreement between the Corporation and the parking operator. The Corporation is also required to submit an annual operating budget to the Parking and Traffic Commission for review and to the Controller's Office for approval. Furthermore, the Corporation is required to obtain the Parking and Traffic Commission authorization to expend funds for capital improvements to the Garage.

In 1992, the Corporation issued Parking Revenue Bonds the ("Series 1992 Bonds") to seismically upgrade the Garage damaged by the Loma Prieta Earthquake and to expand the Garage by adding approximately 350 spaces on two and one-half additional parking levels.

As of May 1, 2002, the Corporation had an outstanding principal amount of $5,225,000 of Series 1992 Bonds. Final maturity on the Parking Revenue Bonds is April 1, 2017. Interest rates range from 6.90% to 7.125% (the weighted average interest rate is 7.12%) and the annual payment is approximately $580.000.

Under the Indenture, dated as of January 1, 1992, between the Corporation and the Bank of America National Trust and Savings Association, as trustee, (the "Indenture"), capital improvements at the Garage are funded from the Corporation's Contingent Reserve Fund ("Capital Improvement Fund"). Over the past several years, the Corporation has depleted all of the available funds in the Capital Improvement Fund on needed capital improvements at the Garage. In some instances our Department and the Controller's Office have had to utilize the Corporation's Repair and Replacement Fund to pay for needed capital projects. The Repair and Replacement Fund is not intended for this purpose.

Pursuant to the Indenture, the Corporation retains 15% (up to $500,000 maximum) of "Net" revenues from the operations of the Garage to be used for capital improvements. For fiscal year 2001-2002, the Corporation projects less than $40,000 of allocated "Net" revenue will be available to augment the Capital Improvement Fund.

One of our goals in the refunding process is to determine a proper net revenue allocation for the Capital Improvement Fund.

<u>Proposal:</u>

Staff and the Corporation propose to authorize the Corporation to take advantage of lower interest rates by issuing refunding bonds and to apply/deposit most of the "Net" savings, after payments of the cost of issuance which shall total approximately $250,000 into the Capital Improvement Fund. Based upon current market conditions as of May 1, 2002, it is estimated that the deposit to the Capital Improvement Fund would be approximately $500,000. If rates were to increase 25 basis points, the amount available to deposit would be approximately $453,000.

Originally, we also proposed adjusting the net revenue allocation from 15% to 25% to provide needed funding into the Capital Improvement Fund and increasing the maximum amount of the Capital Improvement Fund from $500,000 to $2,000,000.

MUNI supports the Corporation's request to deposit the "Net" savings from the refunding into the Capital Improvement Account and agreed to further assist the Corporation by increasing the maximum limit from $500,000 to $750,000. However, at this time, MUNI does not support the extra 10% net revenue allocation to the Capital Improvement Fund. Hopefully, as the economy improves, the Corporation could generate higher net revenues and begin to adequately replenish the Capital Improvement Fund. Furthermore, MUNI agreed to revisit the Corporation's capital needs in the future if necessary. In the meantime, the Corporation could use the cash saving from the refunding to address their capital needs for the next several years.

The Corporation is being assisted in this bond refunding by a team of individuals representing: the Department of Parking and Traffic, the Mayor's Office of Public Finance, the City Attorney's Office, Co-Bond Counsels (Orrick, Harrington & Sutcliffe and Lofton and Jennings), Co-Financial Advisors (Public Financial Management and Municipal Capital Management), and Corporation Counsel (Mr. Richard Dole).

As of May 1, 2002, the refunding team estimates a True Interest Cost (TIC) of (4.63% based on present market condition and $500,000 available from the capital improvement account. The final maturity of the bonds would not be extended beyond the term of the Series 1992 Bonds, which is April 1, 2017.

The cost of issuance of the refunding bonds is estimated at ($250,000). However, the Corporation would not be obligated for any significant amount should the market conditions change unfavorably and the refunding bonds are not issued.

The Department recommends adoption of the proposed Resolution.

Cc: Diana Hammons, DPT

H:\PARKING\Garages\Ellis O'Farrell Garage\Budget Analyst memo for refunding bonds.doc

SOURCES AND USES OF FUNDS

Ellis-O'Farrell Parking Corporation
2002 Refunding of Series 1992
Current Market Rates as of May 7, 2002 Plus 25 Basis Points
Contingency Fund

Sources:		
Bond Proceeds:		
Par Amount		5,950,000.00
Other Sources of Funds:		
Bond Funds		173,046.00
DSRF		585,693.42
Repair and Replacement Fund		100,000.00
		858,739.42
		6,808,739.42
Uses:		
Project Fund Deposits:		
Contingent Reserve		428,000.00
Refunding Escrow Deposits:		
Cash Deposit		0.66
SLG Purchases		5,454,126.00
		5,454,126.66
Other Fund Deposits:		
Debt Service Reserve Fund		565,939.99
Repair and Replacement Fund		100,000.00
		665,939.99
Delivery Date Expenses:		
Cost of Issuance		250,000.00
Underwriter's Discount		38,870.00
		288,870.00
Other Uses of Funds:		
Additional Proceeds		1,802.77
		6,838,739.42

Note: Run with A Scale Plus 25 Basis Points and no Insurance Cost

SAVINGS

Ellis-O'Farrell Parking Corporation
2002 Refunding of Series 1992
Current Market Rates as of May 7, 2002 Plus 25 Basis Points
Contingency Fund

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 07/10/2002 @ 4.7913607%
04/01/2003	576,820.00	565,939.99	10,880.01	13,444.67
04/01/2004	577,675.00	559,515.50	18,159.50	17,874.02
04/01/2005	577,000.00	560,762.00	16,238.00	15,285.66
04/01/2006	580,256.26	560,272.50	19,983.76	17,656.05
04/01/2007	577,087.50	558,442.50	18,645.00	15,708.45
04/01/2008	577,850.00	560,344.00	17,506.00	14,057.37
04/01/2009	577,187.50	560,714.00	16,473.50	12,603.80
04/01/2010	580,100.00	564,727.00	15,373.00	11,206.87
04/01/2011	576,231.26	557,209.50	19,021.76	13,052.24
04/01/2012	580,937.50	563,842.00	17,095.50	11,180.83
04/01/2013	578,506.26	558,850.00	19,656.26	12,151.23
04/01/2014	579,293.76	562,578.50	16,715.26	9,846.63
04/01/2015	577,943.76	559,486.50	18,457.26	10,290.75
04/01/2016	579,456.26	559,814.50	19,641.76	10,378.17
04/01/2017	578,475.00	558,302.00	20,173.00	10,106.29
	8,674,820.06	8,410,800.49	264,019.57	194,843.04

Savings Summary

PV of savings from cash flow	194,843.04
Less: Prior funds on hand	-858,739.42
Plus: Refunding funds on hand	665,939.99
Net PV Savings	2,043.61
Upfront Savings	428,000.00
Total Savings	$ 430,043.61

: Run with A Scale Plus 25 Basis Points and no Insurance Cost

OFFICE OF THE MAYOR
SAN FRANCISCO

WILLIE LEWIS BROWN, JR.

May 29, 2002

TO: Anna LaForte
Budget Analyst

FROM: Nadia Sesay
Public Finance

RE: Up-front Savings VS Level Savings

We typically structure bonds so that there is level debt service. Therefore, when we structure a refunding, it is structured for level savings, which means that debt service remains level but is lower. In this case, we have decided to structure the savings so that it is realized up front and the debt service over the remaining life of the bonds would remain unchanged (or reduced very slightly). Both types of structures would result in similar present value savings. In the first case, each year's savings would be discounted to the closing date to give you the present value savings. In the second case, the savings are already essentially discounted because they are realized on the closing day.

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200, SAN FRANCISCO, CALIFORNIA 94102
(415) 554-6141
RECYCLED PAPER

Attachment III

ELLIS O'FARRELL PARKING CORPORATION
TEN YEAR SOURCE AND APPLICATION OF FUNDS
YEAR ENDING APRIL 26

		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
SOURCE OF FUNDS																					
Projected Annual Surplus		966042	769504	86581	$258,320	$786,185	$550,000	$586,500	$563,495	$601,000	$619,030	$637,601	$658,729	$678,431	$698,724	$717,625	$739,154	$761,329	$784,168	$807,694	$ 9,819,963
City Disbursement @ 85%		966012	769504	73577	$217,872	$776,240	$467,500	$481,525	$476,520	$510,850	$510,680	$516,601	$556,219	$579,390	$592,215	$609,961	$433,706	$413,629	$500,166	$666,540 *	$ 7,733,836
Corporation Disbursement @ 15%		0	0	12984	$38,446	$39,925	$82,500	$84,975	$87,574	$90,150	$92,654	$95,640	$98,509	$101,465	$104,509	$107,644	$110,873	$114,199	$117,625	$121,154	$ 1,467,994
Beginning Surplus & Year End Surplus		500000	500000	500000	$0	$0	$194,975	$121,125	$12,625	$0	$9,650	$0	$0	$11,709	$0	$20,009	$34,552	$0	$0	$0	
Initial Deposit from Refunding Bonds 2002						$426,000															
CORPORATION'S TOTAL FUND YEAR END		500000	500000	512984	$38,446	$467,925	$277,475	$206,100	$100,148	$90,150	$102,504	$95,640	$98,509	$113,174	$104,509	$127,652	$145,425	5114,199	$117,675	$121,154	
(Maximum Limit $750,000)																					
APPLICATION OF FUNDS	Budget																				*Actual Expenditures*
ADA Compliance Modification	232665		460	130006	1889																132375
Decking / Waterproofing	720080		40340	691060																	731400
Electrical	124447		6500	115947																	124447
Office Renovation	27300		800	15585	3965																20330
Parking and Revenue Control System	219160			107506	159516																267024
Interior Painting / Striping	217074			217074																	217074
General Contractor Fee	165810			156205	7500																165705
Architect Supervision & Contingency	81470		8199	39980																	46179
Parking Study - OEDC	30000				20000																20000
Floor Scrubber - Tennant	40000				38214																38214
	Est. Cost Current Value																				*Includes 3%/yr increase from 2002 projected cost*
Office Renovation / Meeting Room	170000					175100															175100
Customer Waiting Area for Valet Service	25000					25750															25750
Valet Station (Central Keys & Vehicle Locator	20000					20600															20600
Employee Break / Locker Rooms Improvements	30000					30900															30900
Additional Pay Station	40000						42400														42400
Entry/Exit Roll-up Grill (Controlled Access)	60000							32700	33600												86300
Intercom System	20000					20600															20600
Vicinity Directory / Advertisement	30000						21200	10900													32100
Signage / Graphics	50000										59000										59000
Pedestrian Warning Signals	50000							27250	26000												55250
HVAC (Ellis & Basement)	25000						26500														20500
Controlled Access (Offices/Cashier/Locker)	10000						10600														10800
Digital Cameras (Entry Lanes/Stairwells,)	100000							54500	58000												110500
Office Equipment	15000						15900														15900
Parking Equipment (Upgrade - R/R)	210000									80500			66600			93100					760400
Exterior Painting	200000																		264000		264000
Lighting Retrofit	75000						39750	40675													80675
Electrical Generator	125000													158750							158750
Maintenance Equipment	100000										59000				65000						124000
Elevator Retrofit	100000											121000									121000
Drainage / Water Management (Roof)	25000							27250													27250
Waterproofing	500000																340000	347500			687500
Replace Company Truck (1997 Nissan P/U)	15000														19500						19500
																					0
																					0
	1995000																				2454575
TOTAL CAPITAL EXPENSES		0	58319	1475345	231084	272950	156350	193475	117600	80500	118000	121000	86600	158750	64500	93100	340000	347500	264000	0	2454525
CAPITAL EXPENSES FUNDED BY OTHER FUNDS			$ 56,319	$ 962,361	$192,636	[illegible]	[illegible]	[illegible]	$17,451	[illegible]	$15,496	$25,360	[illegible]	$45,578	[illegible]	[illegible]	$194,575	5233,301	$166,376	$0 #	$ 696,133
(Construction Fund Operation & Maintenance/Repair & Replace Fund)																					
CAPITAL EXPENSES FUNDED BY CAPITAL FUND				$ 512,984	536,446	272950	156350	193475	$100,149	$60,500	$102,504	$95,640	$66,800	$112,174	64500	93100	$145,425	$114,199	$117,625	$0	
CAPITAL FUND YEAR END SURPLUS		$ 500,000	$ 500,000	$ -	$ -	$ 194,975	$ 121,125	$ 12,625	$ -	$ 9,650	$ -	$ -	$ 11,709	$ -	$ 20,009	$ 34,552	$ -	$ -	$ -	$ 121,154	$ 576,970

* $1.5 million Capital Improvement Project in 2001 depleted the Corporation's reserved funds. Project included Waterproofing/Decking of Roof and Entry/Exit lanes; ADA Modifications; Electrical Panel Retrofit; Parking & Revenue Control Equipment Upgrades

In Fiscal Years 1999 & 2000, the Corporation did not retain any portion of the surplus revenues because it had reached its maximum limit of $500,000 in the Contingent Reserve Fund.

** Revenues projected at 3% annual increase starting 2005

\# Reduction in Revenues (R/R fund) necessary to fund capital expenditures.

5/28/02

Attachment IV

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: May 29, 2002

TO: Anna LaForte
Analyst
Budget Analyst's Office

FROM: Ronald Szeto RS
Acting Director
Parking Authority

SUBJECT: City of San Francisco Ellis-O'Farrell Parking Corporation Refunding Bonds (memo 2)

In the past years, the Corporation had extensive work done at the Garage that costs over $1.5 million, which was well over the amount of funds and the maximum limit of the Contingent Reserve Funds. Our Department and the Controller's were able to assist the Corporation with the needed repairs by utilizing another fund. However, the Contingent Reserve Fund is the fund established and the more appropriate funding source for this type of work. At this time, the Corporation has depleted the funds in the Contingent Reserve Fund.

Originally, we recommended applying/depositing the cash saving from the refunding into the Contingent Reserve Fund, increasing the maximum amount of the from $500,000 to $2,000,000 and the allocation of net revenues from 15% to 25%. However, after discussions with Muni, we agreed that the most beneficial proposal is to apply/deposit the cash saving from the refunding into the Contingent Reserve Fund for needed improvements and to increase the maximum amount from $500,000 to $750,000 to give the Corporation the opportunity to retain all of the cash savings from the refunding and to retain a higher maximum if revenue increases in the future.

Upon refunding the bonds and depositing the cash savings, the Corporation's Contingent Reserve Fund will closely approach the current maximum limit of $500,000. There is always the possibility that the planned capital work for 2003 and subsequent years may not start or be completed exactly as scheduled within the Corporation's fiscal year. For this reason and the real possibility that the economy and the garage revenues will recover in the near future, the proposed Contingent Reserve Fund maximum limit of $750,000 will insure the availability of needed capital improvement funds without imposing a use or lose situation that does not have a negative financial impact to the City.

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

Date: July 24, 2002

To: Anna LaForte
Budget Analyst
Office of the Budget Analyst

From: Ronald Szeto RS
Acting Director, Parking Authority
Department of Parking and Traffic

Re: **Ellis-O'Farrell Refunding Bonds**

The purpose of this memorandum is to provide you with information on the status of the concerns raised at the June 5, 2002 Finance Committee when the Ellis-O'Farrell Refunding Bonds item was continued at the call of the Chair.

At the June 5th meeting, the Finance Committee asked City staff to look into the possibility of using another financing vehicle to defease the outstanding bonds of the Ellis-O'Farrell Garage and dissolve the City of San Francisco Ellis-O'Farrell Parking Corporation because the Corporation appeared to be fiscally irresponsible. The Finance Committee was concerned by the fact that the Corporation, experiencing a lost in the last six months, still had not secured any agreement or potential revenue by renting, leasing or licensing the 121 O'Farrell Street commercial space to the small business owners already occupying space.

Also, at the meeting, I informed the Finance Committee that the Department of Parking and Traffic was planning to license the commercial space directly from the Corporation. This plan would have allowed the Department the ability to assist the small business owners while generating rental income for the Garage. The Finance Committee said the Corporation has 90 days to heal any wounds.

Subsequently, the Corporation went beyond the Department's original plan by renting the display booths from the previous primary leasee, hired the security firm to protect the small business owners, hired a janitorial firm to maintain the premises, and directly contracted with the small business owners for the interim period, until a permanent lease is awarded. Moreover, the Corporation rolled-back the rental fees to the original amount paid by the small business owners at the 121 O'Farrell space while reducing the rent for the 133 O'Farrell merchants to provide a fair a competitive environment.

The Corporation also instructed their broker to accept proposals for the 121 O'Farrell space until July 31 to provide the small business owners sufficient time to prepare and submit proposals and hire an outside evaluator to participate in the permanent proposal evaluation process. The evaluation process incorporates a 10% credit for local business.

The Corporation will continue to directly license with each small business owner until the permanent leasee is identified, approved by the City, and ready for occupancy.

Since the Corporation implemented a plan that generates revenue and accommodates the small business owners to the satisfaction of every party involved, the Department of Parking and Traffic recommends taking action on the Ellis-O'Farrell Refunding Bonds as originally submitted.

CITY AND COUNTY OF SAN FRANCISCO

DENNIS J. HERRERA
City Attorney

OFFICE OF THE CITY ATTORNEY

MICHAEL J. MARTIN
Deputy City Attorney

DIRECT DIAL: (415) 554-4648
E-MAIL: michael.martin@sfgov.org

MEMORANDUM
PRIVILEGED & CONFIDENTIAL

TO:	Anna LaForte Budget Analyst's Office
FROM:	Michael Martin Deputy City Attorney
DATE:	July 25, 2002
RE:	City of San Francisco Ellis-O'Farrell Parking Corporation

This memorandum has been created in response to a inquiry from the Budget Analyst's office relating to the proposed refinancing of the City of San Francisco Ellis-O'Farrell Parking Corporation Parking Revenue Bonds, Series 1992 (the "1992 Bonds"), as to whether the City could directly prepay and defease the 1992 Bonds in the absence of any default by the City of San Francisco Ellis-O'Farrell Parking Corporation (the "Corporation").

The indenture relating to the 1992 Bonds does not reserve to the City the right to prepay the 1992 Bonds. Therefore, even if the City deposited with the trustee amounts sufficient to defease the 1992 Bonds, the trustee would not be able to defease the 1992 Bonds and discharge the indenture without the approval of the Corporation.

Item 5 – File 02-1315

Department: Asian Art Museum

Item: Resolution concurring with the Controller's certification that janitorial services at the Asian Art Museum can be practically performed by a private contract at a lower cost than similar work services performed by City and County employees.

Services to be Performed: Janitorial services at the Asian Art Museum

Description: Charter Section 10.104 provides that the City may contract with private firms for services that can be practically performed for a lower cost than similar work performed by City employees.

The Controller has determined that contracting for janitorial services at the Asian Art Museum for FY 2002-03 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$441,559	$522,290
Fringe Benefits	138,536	151,227
Equipment	10,284	10,284
Total	$590,379	$683,801
Contractual Services Cost	(372,527)	(372,921)
Estimated Savings	$217,852	$310,880

Comments: 1. The Asian Art Museum closed its operations at its Golden Gate Park facility on October 7, 2001 and will reopen at its new Civic Center facility in January of 2003. In the past, the M.H. de Young Museum and the Asian Art Museum used to be located in the same building in Golden Gate Park. Janitorial services for the shared portions of the Golden Gate Park facility, including the entry way and the restrooms, were provided by 2.0 FTE

2708 Custodian positions and funded in the Fine Arts Museum budget. Mr. Steve Dykes of the Fine Arts Museum reports that the 2.0 FTE 2708 Custodian positions that provided janitorial services for the shared portions of the Golden Gate Park facility continue to be included in the Fine Arts Museum budget. Mr. Dykes further reports that these two positions currently provide janitorial services at the Palace of the Legion of Honor.

In addition to the 2.0 FTE 2708 Custodian positions included in the Fine Arts Museum budget, for the past nine years the Asian Art Museum Foundation has paid approximately $55,000 per year for a janitorial services contract for the upkeep of the Asian Art Museum exhibit space and administrative offices at the Golden Gate Park facility, according to Ms. Ikuko Satoda of the Asian Art Museum. According to Ms. Satoda, the janitorial services contract for upkeep of Asian Art Museum space at the Golden Gate Park facility, paid for by the Asian Art Museum Foundation, was terminated when the Asian Art Museum closed its operations at its Golden Gate Park facility in October of 2001. In the attached memorandum (Attachment I), Ms. Satoda provides additional information on the provision of custodial services at the Asian Art Museum.

Ms. Satoda advises that the janitorial services contract for upkeep of the Museum's new Civic Center facility is anticipated to begin on November 1, 2002. Therefore, the Fiscal Year 2002-03 Asian Art Museum budget includes funding of $247,000 for 8 months of a janitorial services contract.

2. The Contractual Services Cost used for the purpose of the analysis is based on (a) the Asian Art Museum's estimated FY 2002-03 costs to provide janitorial services for a full 12 months based on the associated workload at the new Civic Center facility and the industry standards for the cost of providing such janitorial services, and (b) the salary and fringe benefits at the lowest and highest salary steps of 0.25 FTE 7120 Buildings and Grounds Maintenance position at the Asian Art Museum to monitor the contract.

3. According to Ms. Satoda, the Department intends to issue a Request for Proposals (RFP) for the Asian Art Museum's janitorial services contract on August 28, 2002.

4. Attachment II, provided by the Asian Art Museum, is the Controller's supplemental questionnaire, with the responses from the Asian Art Museum.

Recommendation: Approve the proposed resolution.

Asian Art Museum of San Francisco
Memorandum

TO: **Anna LaForte, Budget Analyst Office**

FROM: **Ikuko Satoda, Asian Art Museum**

DATE: **August 13, 2002**

Re: **Custodial Services**

This memo is in response to your question regarding the City's responsibility in maintaining the City's new building, Asian Art Museum.

For its entire existence the Asian Art Museum has relied on the promise of the City Charter (Sec. 16.106) to maintain the integrity of the Museum and its collections. For most of our history, the City contribution to security, custodial and building maintenance was part of the Fine Arts Museums' budget and to be performed by civil service employees. Nine years ago, due to the budget reduction and administrative oversight, the funds for services provided to FAM by the City were significantly reduced, and one custodial position for the AAM was eliminated. In order to maintain the building at Golden Gate Park at an acceptable level, the Asian Art Foundation has been supplementing the custodial services by engaging outside janitorial services for several years.

Since we are opening a newly renovated facility, which has been paid for largely with private funds as a gift to the City and County of San Francisco, we were assured continuing City support to resume the responsibility of maintaining the City's brand new building by appropriating the costs of custodial services again to the Asian Art Museum.

Attachment II

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: __Asian Art Museum________________________

CONTRACT SERVICES: _Janitorial Services__________________

CONTRACT PERIOD: ___One Year___________________________

(1) Who performed the activity/service prior to contracting out?

N/A since the facility is brand new.

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

N/A

(4) What percentage of City employees' time is spent of services to be contracted out?

N/A

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Never up to now. It will be ongoing request.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

FY 02-03 will be the first year.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

Meet MBE requirement.

(8) Does the proposed contractor provide health insurance for its employees?

Assumed "yes" since the vendor is on the City approved list.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Assumed "yes" since the vendor is on the City approved list.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Assumed "yes" since the vendor is on the City approved list.

Department Representative: __Ikuko Satoda______________________

Telephone Number: __415-557-6813________________________

Item 6 – File 02-0416

Department: Municipal Transportation Agency (MTA)
Municipal Railway (MUNI)

Item: Resolution authorizing the Municipal Transportation Agency Board to accept and expend $15,925,000 of Federal Formula Section 5307 Capital Assistance funds for the MTA Motor Coach Replacement Project for the purchase of 330 new Neoplan diesel buses.

Amount: $15,925,000

Grant Period: July 1, 2002 through December 30, 2006 (four years and six months). According to Mr. Jerry Levine of MTA, MTA has not accepted or expended any funds.

Source of Funds: Federal Transit Administration (FTA)

Required Match: The required match of $3,261,747 or 20 percent (See Comment 2) would be composed of Municipal Railway Fare Revenue, San Francisco County Transportation Sales Taxes, Bridge Toll Net Revenues, and funds from the San Francisco Municipal Railway Improvement Corporation.

Indirect Costs: MTA is requesting that indirect costs be waived to maximize use of the grant funds to acquire the new Neoplan buses.

Description: The proposed resolution would authorize MTA to accept and expend $15,925,000 of Federal Section 5307 Capital Assistance funds to partially pay for the total $128,229,473 in estimated costs to purchase 330 new Neoplan diesel buses under the Motor Coach Replacement capital project. As shown in Attachment I, the FTA will pay for $102,583,578, or 80 percent of the total cost of the $128,229,473, with the balance of 20 percent coming from various local sources as identified in Attachment I. According to Mr. Levine, the 330 new Neoplan diesel buses would replace 330 aged New Flyer diesel buses operating throughout the City. Mr. Levine advises that MTA would only replace diesel buses that have been in service longer than their 12-year useful life spans, and

that none of the 330 new Neoplan buses would be used to expand the existing fleet. MTA presently has an existing fleet of 455 diesel buses.

On February 5, 1999 the Board of Supervisors approved a multi-year $92,192,575 procurement contract between MTA and Neoplan USA Corporation for the purchase of 235 new diesel buses, at an average cost per bus ranging from $319,781 for a 40-foot standard bus to $427,034 for a 60-foot articulated bus, to replace aged diesel buses (File 98-2129). According to Mr. Levine, Neoplan USA was selected through a competitive negotiated procurement process based on the technical quality and price of their buses. In June of 2001, the Board of Supervisors approved Modification No. 4 to the original contract with Neoplan USA (File 01-0869). The original contract provided for the procurement of 235 diesel buses. Modification No. 4 provided an additional 95 buses, resulting in a total procurement of 330 buses. The cost for the 95 buses under Modification No. 4 was not to exceed $36,036,898, at an average cost per bus ranging from $328,109 for a 40-foot bus to $440,340 for a 60-foot bus. The combined cost of the original contract and Modification No. 4 was $128,229,473 and the total number of diesel buses authorized for purchase was 330. This resolution would now authorize the MTA to accept $15,925,000 in Federal grant funds to partially pay for the total cost of the 330 new diesel buses.

Budget:

Attachment I, provided by Mr. Levine, includes a budget and all funding sources totaling $128,229,473 to pay for the acquisition of the 330 new Neoplan buses.

Comments:

1. According to Mr. Levine, MTA would cover the ongoing maintenance costs for the 330 new diesel Neoplan buses, estimated at approximately $6,006,000 annually, through annual appropriations in MTA's operating budgets. Mr. Levine advises that the $6,006,000 in annual maintenance costs for the 330 new Neoplan buses would be primarily attributable to mandatory standard maintenance checks. Mr. Levine advises that the estimated ongoing maintenance cost for the new Neoplan buses would be approximately the same as the cost for older diesel buses because both the old and new buses

require regularized maintenance at 1,000 mile and 6,000 mile intervals.

2. As shown in Attachment I, Mr. Levine advises that MTA will provide $25,645,895 in local funds or 20 percent of the total costs of $128,229,473 for the Motor Coach Replacement contract, composed of Municipal Railway Fare Revenue, San Francisco County Transportation Sales Taxes, Bridge Toll Net Revenues, and funds from the San Francisco Municipal Railway Improvement Corporation for the acquisition of the 330 Neoplan buses. Mr. Levine reports that of the total $25,645,895 in local funds allocated to the Motor Coach Replacement contract from the various local sources listed in Attachment I, $20,843,061 has already been received, $3,261,747 will be received as subject matching funds and $1,541,087 is anticipated by December 2003.

3. As previously noted, according to Mr. Levine, FTA funds would provide $102,583,578 or 80 percent of the total $128,229,473 Motor Coach Replacement contract to purchase the 330 new Neoplan diesel buses. Of the $102,583,578 in FTA funds provided for the Motor Coach Replacement contract, Mr. Levine states that $83,372,245 has already been received from the FTA, $15,925,000 will be received under the proposed resolution, and $3,286,333 is anticipated to be received from the FTA by December 2003.

4. Attachment II, provided by Ms. Lisa Mancini of MUNI, provides additional information regarding the Motor Coach Replacement Program.

5. Attachment III is the Grant Information Form, provided by Mr. Levine, which includes the Disability Access Checklist.

Recommendation: Approve the proposed resolution.

CONTRACT #300 MASTER PAYMENT RECORD

No.	Qty.	Description	Unit Price	Total Price
40-FOOT BASE CONTRACT				
1		Prototype Design, Testing and Acceptance	Lump Sum	$45,000.00
2	135	New Standard High Floor Clean Diesel Coaches	$319,781	$43,170,435.00
3		Spare Parts for Standard High Floor Clean Diesel Coaches (from Schedule 3A)	Lump Sum	$3,031,835.00
4		Training for Standard High Floor Clean Diesel Coaches	Lump Sum	$33,750.00
5		Interactive Multimedia Training for Standard High Floor Clean Diesel Coaches	Lump Sum	$125,000.00
6		Operating, Maintenance and Parts Manuals for Standard High Floor Clean Diesel Coaches	Lump Sum	$132,995.00
7		Special Tools for Standard High Floor Clean Diesel Coaches (from Schedule 3B)	Lump Sum	$451,290.00
			Total:	$46,990,305.00

60-FOOT BASE CONTRACT				
1		Prototype Design, Testing and Acceptance	Lump Sum	$45,000.00
2	100	New Articulated High Floor Clean Diesel Coaches	$427,034	$42,703,400.00
3		Spare Parts for Articulated High Floor Clean Diesel Coaches (from Schedule 1A)	Lump Sum	$1,826,655.00
4		Training for Articulated High Floor Clean Diesel Coaches	Lump Sum	$33,750.00
5		Interactive Multimedia Training for Articulated High Floor Clean Diesel Coaches	Lump Sum	$125,000.00
6		Operating, Maintenance and Parts Manuals for Articulated High Floor Clean Diesel Coaches	Lump Sum	$132,995.00
7		Special Tools for Articulated High Floor Clean Diesel Coaches (from Schedule 1B)	Lump Sum	$335,470.00
			Total:	$45,202,270.00

Base Contract Total:	$92,192,575.00
Total Payment:	

40-FOOT OPTION CONTRACT				
8.1	71	Exercise of Option to purchase Standard High Floor Clean Diesel Coaches	$328,109	$23,295,739.00
9		Additional Spare Parts	Lump Sum	$1,164,786.00
10	135	Design Changes	$983	$132,705.00
			Total:	$24,593,230.00

60-FOOT OPTION CONTRACT				
8.1	24	Exercise of Option to purchase Standard High Floor Clean Diesel Coaches	$440,340	$10,568,160.00
9		Additional Spare Parts	Lump Sum	$528,408.00
10	100	Design Changes	$3,471	$347,100.00
			Total:	$11,443,668.00

Option Contract Total:	$36,036,898.00

Contract Grand Total:	$128,229,473.00

FUNDING SOURCES FOR CONTRACT #300

Funding Source	Amount	Percentage Share
Federal – Federal Transit Administration	$102,583,578	80 percent
Local – • Municipal Railway Fare Revenue • San Francisco County Transportation Sales Taxes • Bridge Toll Net Revenues • San Francisco Municipal Railway Improvement Corporation	$25,645,895*	20 percent
Total Contract	**$128,229,473**	100 percent

*Due to the fact that local matching funds are assigned to various elements of the Motor Coach Replacement project as they are awarded and also assigned according to the timely use of funds requirements, the $25,645,895 in local funds required for the contract cannot be specifically dedicated by fund source.

Provided by Muni

Municipal Transportation Agency
City and County of San Francisco

To: Harvey Rose
Budget Analyst

From: Lisa Mancini
Deputy Director
Municipal Transportation Agency

Date: August 9, 2002

Subject: Accept and expend grant for Motor Coach replacement

The purpose of this memorandum is to provide the Budget Analyst with information pertaining to Muni's Contract No. 300 with Neoplan USA Corporation.

In March 2001, Muni received approval to exercise an option with Neoplan to purchase 95 replacement motor coaches (71 standard and 24 articulated). Muni is requesting that this resolution to accept and expend $15,925,000 of Federal Section 5307 formula Capital Assistance be expedited to ensure timely payment to Neoplan for Muni's motor coach replacement program. Muni has a contractual obligation to make these timely payments. Neoplan has much of its working capital invested in Muni's fleet, and needs to receive one of the last of their payments in order to invest in other projects and contracts.

These 95 motor coaches are well into production on the assembly line. Out of the 95 option buses, 68 of the 71 40-foot standard buses and 4 of the 24 60-foot articulated buses have been delivered to Muni to date. The remaining buses will be delivered during August and September of this year.

Neoplan has given Muni no indication that it will not meet any of its contractual obligations, including delivery of all of its buses and fulfillment of all warranty requirements that are specified in the contract. Per this contract, Neoplan will provide all warranty support for the complete motor coach, including the structural frame, components, defects, and all computer software.

Specifically, according to Section 9.1.1.1 of Contract No. 300 with Neoplan, the complete coach "shall be warranted and guaranteed to be free from defects and related defects for two years or 100,000 miles, whichever comes first, beginning on the date of official acceptance of each coach. During this warranty period, the coach shall maintain its structural and functional integrity. The warranty shall be based on regular operation of the coach under the operating conditions prevailing in Muni service."

In addition, according to Section 9.1.1.2, "primary load carrying members of the bus structure, including structural elements of the suspension, shall be warranted against corrosion failure

Municipal Transportation Agency
City and County of San Francisco

and/or fatigue failure sufficient to cause physical safety or Mean Distance Between Service Failure (MDBSF) for a period of 12 years or 500,000 miles, whichever comes first."

All other components, including engine, engine starting system, engine alternators, transmission, axles, suspension, brakes, heating and ventilation units, hydraulic fan, power steering systems, wheelchair lifts and ramp system, destination sign and voice annunciation system, door system, and air system have warranties ranging from 3-5 years (or 150,000-300,000 miles, whichever occurs first).

Muni has had a solid working relationship with Neoplan since 1998, and will continue to work closely with them as the last of the motor coaches arrive.

File Number: ______________________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: FTA Grant # CA-90-Y124 for $15,925,000 in formula federal funds for Municipal Railway Capital Projects and Activities.

2. Department: San Francisco Municipal Railway.

3. Contact Person: Jerry Levine Telephone: 934-3939

4. Grant Approval Status (check one):

   ☐ Approved by funding agency ☒ Not yet approved

5. Amount of Grant Funding Approved or **Applied for:** $15,925,000

6. a. Matching Funds Required: $3,261,747
   b. Source(s) of matching funds (if applicable): The nonfederal share of project costs will be funded through a variety of sources which may include San Francisco Municipal Railway Fare Revenue, San Francisco Municipal Railway Improvement Corporation, San Francisco County Transportation Sales Taxes, Bridge Toll Net Revenues and/or Redevelopment revenues.

7. a. Grant Source Agency: Federal Transit Administration
   b. Grant Pass-Through Agency (if applicable): Not applicable

8. Proposed Grant Project Summary:

   The Board of Supervisors is being asked for authority to accept and expend $15,925,000 of formula federal funds for San Francisco MUNI capital project Motor Coach replacement.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start-Date: 07/01/02 End-Date: 12/30/06

10. Number of new positions created and funded: None

11. If new positions are created, explain the disposition of employees once the grant ends? N.A.

12. a. Amount budgeted for contractual services: $15,925,000
    b. Will contractual services be put out to bid? Yes
    c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? Yes
    d. Is this likely to be a one-time or ongoing request for contracting out? One-time

13. a. Does the budget include indirect costs? Yes No X
    b1. If yes, how much?
    b2. How was the amount calculated?

    c. If no, why are indirect costs not included?
    Not allowed by granting agency _X_ To maximize use of grant funds on direct services
    Other (please explain):

14. Any other significant grant requirements or comments: None

Disability Access Checklist

15. This Grant is intended for activities at (check all that apply):

Existing Site(s)	Existing Structure(s)	☒ Existing Program(s) or Service(s)
Rehabilitated Site(s)	Rehabilitated Structure(s)	New Program(s) or Service(s)
New Site(s)	New Structure(s)	

16. The Departmental ADA Coordinator has reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental ADA Coordinator: Annette Williams
(Name)

Date Reviewed:______________

Department Approval: Annette Williams, Manager of Accessible Services
(Name and Title)

____
(Signature)

Item 8 - File 02-1290

Department: Airport

Item: Resolution approving Modification No. 7, the Close-out Modification, to Professional Services Agreement, Contract 5700CM – Construction Management Services for the AirTrain System, with PGH Wong Engineering/Luster Construction Management, in the amount of $2,644,367, for a new total contract amount not to exceed $32,847,364.

Amount: $2,644,367 (see Comment No. 7)

Source of Funds:

Master Plan Capital Improvement Program	
- Airport Revenue Bonds Issue 16A/13B:	$1,417,408
Airport's contribution – BART Fixed Facilities	
- Airport Revenue Bonds Issue 16A:	76,959
Airport's contribution – BART Systems	
- Airport Revenue Bonds Issue 16A:	1,150,000
TOTAL:	$2,644,367

Description: On May 16, 1995 the Airport Commission awarded a Professional Services Contract to a joint venture of PGH Wong Engineering and Luster Construction Management[1] in the amount of $1,400,000, to provide construction management services for the AirTrain System to be constructed at the Airport[2]. According to Mr. Ivar Satero of the Airport, the contract was designed as a year-to-year contract, renewable on an annual basis, rather than as a multi-year contract, to permit the Airport to determine annually whether or not it was satisfied with the

[1] In addition to the two joint venture partners, PGH Wong Engineering, Inc. and Luster Construction Management, the original contract included four sub-consultants: CPM Services, EPC Consultants, Inc., AL Consulting, and O'Brien Kreitzberg Inc. Subsequently, the following sub-consultants were added to the contract: Lea + Elliot, Inc., National Constructor's Group, Transit Guideway Consultants, Battelle, Logplan LLC, MG Engineering, Fay & Associates, and Leigh Fisher Associates.

[2] The AirTrain system will be a fully automated transit system used to transport passengers and Airport personnel between the Airport's terminals, parking structures, rental car facilities, cargo facilities, and remote parking facilities. The system comprises (a) the computerized AirTrain Operating System and the Central Control Facility, (b) a 7,000 foot clockwise Inner Loop track, a 7,000 foot counter-clockwise Outer Loop, and an approximately 1.5 mile dual lane track out to the remote parking facilities, (c) six stations, (d) 38 passenger vehicles and one maintenance recovery vehicle, and (e) five power distribution substations.

contractor's performance. Subsequently, the Airport Commission approved six modifications to the subject contract to fund PGH Wong Engineering/Luster Construction Management to provide ongoing construction management services for both:

(a) The AirTrain System and Related BART Fixed Facilities Project. BART fixed facilities related to construction of the AirTrain System include the combined structures supporting both the AirTrain and BART train-track beds.
(b) Oversight of the Airport's share of the BART systems costs of the BART-SFO Extension construction project, which is a component of the current BART-managed project to extend the BART system from Colma to San Francisco Airport and Millbrae.

As shown in Attachment I, provided by Mr. Satero, the current total value of the PGH Wong Engineering/Luster Construction Management contract is $32,847,367 including the proposed Contract Modification No. 7 in the amount of $2,644,367.

According to Mr. Satero, the proposed Contract Modification No. 7 would permit PGH Wong Engineering/Luster Construction Management to:

(a) Provide construction management services during the construction completion, start-up testing, and close-out phases of the AirTrain System and Related BART Fixed Facilities Project. According to Mr. Satero, Contract Modification No. 7 was predicated on an anticipated opening of the AirTrain System in September of 2002. Due to an accident which occurred on August 4, 2002 during testing of the AirTrain System, the opening may be delayed by approximately two months, until October 31, 2002. A collision between two computer-controlled trains resulted in damage to both cars, train-track equipment, and the emergency walkway. Mr. Satero expects that the Airport will require additional PGH Wong Engineering/Luster Construction Management staff time to audit the records and test program of

the AirTrain Operating System contractor, Bombardier (see Comment No. 3).

(b) Oversight and final cost reconciliation of the Airport's portion of the BART systems costs of the BART-SFO Extension Project. These projects include installing the rail lines into the Airport, constructing the power distribution, train control, bulk power supply, and emergency smoke removal systems, and building the five power distribution substations. Mr. Satero forecasts that construction will be completed by January of 2003.

Budget: Attachment I provides descriptions and budget details of the original contract and all contract modifications to date, including the proposed Contract Modification No. 7. A summary of the contract costs is as follows:

Contract Modifications	Amount
Original contract	$1,400,000
Contract Modifications No. 1 – 6	28,803,000
Contract Modification No. 7	2,644,367
TOTAL:	**$32,847,367**

Comments: 1. According to Mr. Satero, the original $1,400,000 contract was awarded to PGH Wong Engineering/Luster Construction Management following a Request for Qualifications process.

2. Under Charter Section 9.118(b), all contracts which are in excess of $10,000,000 or which have a term of ten years or more, except for construction contracts, are subject to Board of Supervisors approval. As shown in Attachment I, the contract with PGH Wong Engineering/Luster Construction Management totaled $10,023,000 with the authorization of Contract Modification No. 2, thereby exceeding the $10,000,000 threshold by $23,000. Contract Modifications Nos. 3 through 6 were not submitted to the Board of Supervisors for approval. On May 31, 2002, the City Attorney issued

Opinion No. 2002-03 pertaining to the application of Charter Section 9.118(b) stating that:

> The City Attorney's Office has received questions in the past concerning the application of Charter section 9.118(b) to construction-related professional services contracts. Although we have not previously issued formal advice on these questions and they have arisen infrequently, deputies have given varying advice to departments concerning this provision.

In Opinion No. 2002-03, the City Attorney advises, with respect to contracts pertaining to architectural, engineering, and construction management services, that Board of Supervisors approval is now required for contract modifications, if the modification causes the cumulative amount of the contract to exceed $10 million, or causes the term of the contract to exceed 10 years.

Therefore, according to Ms. Gretchen Nicholson of the City Attorney's Office, the City Attorney has concluded that the proposed subject Contract Modification No. 7 is subject to Board of Supervisors approval.

3. Mr. Satero states that the Airport anticipates a Contract Modification No. 8 due to the accident which occurred on August 4, 2002 during testing of the computer-controlled AirTrain System. Mr. Satero expects that the Airport will require additional PGH Wong Engineering/Luster Construction Management staff time to audit the records and test program of the AirTrain Operating System contractor, Bombardier. At the time of writing this report, the Airport has neither estimated the number of additional staff hours required nor the total cost of the anticipated Contract Modification No. 8. Contract Modification No. 8 would be subject to Board of Supervisors approval.

4. According to Mr. Satero, construction of the AirTrain System and Related BART Fixed Facilities Project is approximately 97 percent complete. However, at this time, Mr. Satero estimates that the AirTrain System should be operational as of October 31, 2002. Mr. Satero advises that before the August 4, 2002 accident the

AirTrain System had already been approximately 8.5 months behind schedule as a result of:

- Late completion in December of 2000 of segments of the AirTrain train-track bed by the Tutor-Saliba Corporation, which delayed access for construction of the terminal stations by another contractor, DJ Amorosa.
- The delayed terminal station construction, along with several required design changes at the stations, delayed development and testing of the computerized AirTrain Operating System provided by another contractor, Bombardier.

Attachment II is a memo, provided by Mr. Satero, which contains additional information about the AirTrain System construction project delays which preceded the August 4, 2002 accident.

5. According to Mr. Satero, construction by BART of the BART systems portion of the BART-SFO Extension Project was originally scheduled for completion in December of 2001. However, due to construction delays caused by the Joint Powers Board[3] restrictions and requirements for working within the Joint Powers Board right-of-way and the need to protect an endangered species of wetland snake, construction is now scheduled to be operational in January of 2003.

6. According to Mr. Satero, the total cost to the Airport of the AirTrain System and Related BART Fixed Facilities Project is $425,417,522, and the Airport's total share of the BART systems portion of the BART-SFO Extension Project is $74,700,000[4], for a total cost of $500,117,522. Therefore, the total $32,847,367 cost of the Airport's

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[3] The Joint Powers Board is the managing authority responsible for the Caltrain rail system. The membership of the Joint Powers Board includes the City and County of San Francisco, the San Mateo County Transit District, and the Santa Clara Valley Transportation Authority. According to Mr. Satero, approximately 75 percent of the construction work related to the BART-SFO Extension Project took place within Caltrain's right-of-way which necessitated significant protection requirements for Caltrain during the excavation work.

[4] Mr. Satero advises that the Airport's share of the BART systems portion of the BART-SFO Extension Project was determined in conformance with Federal Aviation Administration eligibility guidelines.

contract with PGH Wong Engineering/Luster Construction Management to provide construction management services represents approximately 6.6 percent of the Airport's total costs for the AirTrain and BART projects. According to Mr. Satero, while the Airport budgets 5 percent for construction management services, it adjusts this percentage to provide for project-specific requirements which vary based on a construction project's technical complexity, schedule, coordination requirements, involvement of other agencies, and other factors. Mr. Satero states that the cost of the PGH Wong Engineering/Luster Construction Management contract, at 6.6 percent of the Airport's total costs for the AirTrain and BART projects, is lower than anticipated given the AirTrain System's technical complexity, the degree of interface with adjacent projects, the construction delays to date, and the current testing which is ongoing 24 hours per day, seven days per week. For the Master Plan Expansion Project as a whole, the Airport has experienced a 6.9 percent construction management services cost, according to Mr. Satero.

7. As previously noted, the proposed Contract Modification No. 7 would increase the total PGH Wong Engineering/Luster Construction Management cost by \$2,644,367, from \$30,203,000 to \$32,847,367. The proposed resolution states that the total would be \$32,847,364, or \$3 less than the actual amount. The proposed resolution should be amended to total \$32,847,367.

Recommendations:

1. Amend the proposed resolution to reflect the correct total construction management services contract amount of $32,847,367 instead of $32,847,364.

2. Approve the proposed resolution, as amended.

San Francisco International Airport

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
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www.flysfo.com

MEMORANDUM

TO: Budget Analysts' Office

FROM: Ivar Satero, Administrator
Bureau of Design & Construction

DATE: August 8, 2002

PROJECT: File 02-1290
Modification to Airport Contract 5700.CM - Professional Services Agreement with PGH Wong Engineering/Luster Construction Management

SUBJECT: Summary of Modifications and Funding

As per your request, we are providing additional information regarding previous modifications to the Airports 5700.CM contract with the joint venture of PGH Wong Engineering/Luster Construction Management (Wong/Luster). This contract provides for construction management (CM) services for: SFO's AirTrain System and Related BART Fixed Facilities Project, which are the BART fixed facilities constructed integrally with the AirTrain System and include the combined structures supporting both the AirTrain and BART train-track beds; and, oversight of the Airport's share of the BART systems costs of the BART-SFO Extension construction project, which is a component of the current BART-managed project to extend the BART system from Colma to SFO and Millbrae.

The services to be provided by the CM consultants in support of the Airport Master Plan Expansion Program are described generally in Appendix A of the Professional Services Agreement between the Airport and consultants. The Airport developed a Program Management Manual for implementation by the CM consultants as a minimum Airport requirement for administering and managing construction contracts. The scope of services to be provided by the consultants did not change at each annual modification. The annual modifications typically provided for additional funding, administrative contractual changes and extensions to duration.

Exhibit A attached to this memo summarizes the modifications to the contract and provides a budget breakdown for the allocation of costs to AirTrain as part of the

Master Plan Expansion Program and the Airport's "up to $200 million" contribution to the BART-SFO Extension Project. The budget allocations between the AirTrain and BART Fixed Facilities is based on a 93.61% Airport/6.39% BART split. This split was determined and agreed upon by both parties during the development of the BART-SFO Extension Project - Project Development Agreement, dated April 8, 1997. The budget for the BART Systems is allocable 100% to BART.

Further, Exhibit A provides a comparison of the modification amounts to Wong/Lusters' annual Staffing Plan funding request, with manhours. Typically, the Airport requested from Wong/Luster a proposed "ideal" staffing plan for the next year and a staffing plan through to project completion to assist in updating the forecast-at-completion. Wong/Luster was also given a target budget and was required to submit a staffing plan that correlated with the target budget. The Airport would then meet with the Principal of Wong/Luster and review the target budget staffing plan position by position to determine whether additional positions or manhours were required for each function. The negotiated agreed-upon staffing plan would typically increase the target budget but would be within the overall project budget. The modification amount would be further adjusted to account for any anticipated underrun or overrun from the previous year.

If you have any questions regarding on this information, please don't hesitate to call.

EXHIBIT A – SUMMARY OF MODIFICATIONS

	Reason for Contract Modification	Amount for AirTrain System and Related BART Fixed Facilities Project	Amount for Over-sight of BART Systems Portion of BART-SFO Extension Project	Total Amount	AirTrain/BART Fixed Facilities Average Employee Rate based on Annual Staffing Plan Funding and Manpower Requirements	AirTrain/BART Fixed Facilities Number of Hours Funded Based on Modification Amount	Date and Airport Commission Resolution No.
Original contract	To provide construction management (CM) services during construction of the AirTrain System and the BART-SFO Extension Project.	$1,400,000	$0	$1,400,000	110.33	12,689	May 16, 1995 Resolution 95-0121
Modification No. 1	To increase fee to continue CM services in 1996.	5,500,000	0	5,500,000	110.33	49,850	January 23, 1996 Resolution 96-0025
Modification No. 2	To increase fee to continue CM services in 1997.	3,123,000	0	3,123,000	110.33	28,306	November 5, 1996 Resolution 96-0280
Modification No. 3	To increase fee to continue CM services in 1998.	1,700,000	0	1,700,000	99.09	17,156	December 2, 1997 Resolution 97-0312
Modification No. 4	To increase fee to continue CM services in 1999.	7,000,000	0	7,000,000	96.57	72,486	December 1, 1998 Resolution 98-0309
Modification No. 5	To increase fee to continue CM services in 2000.	4,600,000	1,600,000[1]	6,200,000	98.66	46,625	December 7, 1999 Resolution 99-0421
Modification No. 6	To increase fee to continue CM services in 2001 and 2002.	3,880,000	1,400,000[1]	5,280,000	111.27	34,870	December 5, 2000 Resolution 00-0423
Internal budget adjustment		2,400,000[2]	(2,400,000)	0	Incl. In Mod. 7	Incl. In Mod. 7	To balance expenditures against funding allocations.
Modification No. 7	To fund (a) CM services during the construction completion, start-up testing, and close-out phases of the AirTrain System project, and (b) oversight and final reconciliation of the Airport's contribution to BART-SFO Extension Project.	1,494,367	1,150,000[1]	2,644,367	103.15	37,754	July 9, 2002 Resolution 02-0153
Total:		$31,097,367	$1,750,000	$32,847,367			

[1] Tasks for BART Systems costs were requested on an as-needed basis. Staffing Plan was not required to include these services. Amounts are not included in manhours calculation.

[2] Internal adjustment increased available budget for AirTrain and Related BART Fixed Facilities CM services for 2002. Amount is included in Mod. 7 manhour calculation.

San Francisco International Airport

Attachment II
Page 1 of 2

MEMORANDUM

TO: Budget Analysts' Office

FROM: Ivar Satero, Administrator
Bureau of Design & Construction

DATE: August 7, 2002

PROJECT: File 02-1290
Modification to Airport Contract 5700.CM - Professional Services Agreement with PGH Wong Engineering/Luster Construction Management

SUBJECT: AirTrain Construction Project Delays

The SFO AirTrain project is currently scheduled to complete in September 2002. The original contract completion date for the 5703.A - AirTrain Operating System contract with Bombardier Transportation (formerly Adtranz) is December 15, 2001. This is the final contract to complete for the opening of AirTrain. There have been a number of significant issues encountered throughout the 5 (five) plus years of construction of the various contracts required for the implementation of the AirTrain System which have contributed to this delay.

One of the first construction contracts for AirTrain was the 5700.A - AirTrain Guideway, East Loop contract with Tutor-Saliba Corporation. This contract was scheduled to complete in February 2000. It was completed in December 2000, approximately 10 months behind schedule. These delays were unavoidable and resulted from a number of differing site conditions as well as construction restrictions due to Airport operations. The construction occurred around the domestic terminal loop, both within the existing Central Garage and in the roadways. Due to the age of the existing facilities, there were a significant number of utility conflicts and underground conditions not identified which contributed to the delay. It was not possible to mitigate the delays to this contract due to Airport operational requirements and site restrictions.

The late completion of the 5700.A contract delayed access to the 5706.A - AirTrain Domestic Stations contract. This contract provides for the construction of the

concourse level of the station, platform canopies, conveyances, windscreens, pedestrian bridges and garage connectors. The late access delay was not recoverable, due to the Airport compressing the construction schedule as a result of the anticipated late completion of the 5700.A contract, Airport operational requirements and site restrictions.

Coordinated access was granted to the 5703.A contractor for the installation of the structural steel and barrier wall station doors (the glass doors that open and close with the train doors) as early as possible to minimize the impact resulting from the subsequent construction delays, while assuring a safe working environment. However, design changes to the structural steel supporting the barrier wall and station doors was required which further delayed the 5703.A contractor. This "Airport" delay was concurrent with the delays in the development and testing of Bombardier's "Flexiblok" automated train control system, which ultimately drives out the AirTrain opening date to September 2002.

Given the multitude of construction challenges encountered during the AirTrain construction project, the technical complexity of the various contracts and interfaces with existing Airport facilities and on-going related construction, PGH Wong Engineering/Luster Construction Management has served the Airport well. They have taken appropriate actions to minimize impacts to cost and schedule as a result of the numerous unforeseeable issues. They have accelerated work when appropriate, directed resequencing due to access delays, coordinated access and construction activities for the safe prosecution of the work under the various contracts.

If you have any questions regarding this information, please don't hesitate to call.

Item 9 - File 02-1324

Department: Airport

Item: Resolution approving the Domestic Terminals Automated Teller Machine Lease A between Wells Fargo Bank, N.A. and the City and County of San Francisco, acting by and through its Airport Commission, for the operation of ten automatic teller machines (ATMs) at the Airport's North and South Terminals and the Airport's Rental Care Facility.

Location: The North and South Terminals and the Rental Car Facility, San Francisco International Airport

Purpose of Lease: The proposed new five year and 90 day lease would provide space at ten locations throughout the Airport's North and South Terminals and the Airport's Rental Car Facility to Wells Fargo Bank, N.A. to operate one automated teller machine (ATM) at each of the ten different locations. These ten ATMs would operate 24 hours per day, seven days a week at the locations listed in the Attachment provided by the Airport.

Lessor: City and County of San Francisco, acting by and through its Airport Commission.

Lessee: Wells Fargo Bank, N.A., a California corporation

Annual Rental Revenues Payable by Wells Fargo Bank to the Airport: Minimum Annual Guarantee (MAG) of $282,000, to be adjusted annually by the percentage increase in the Consumer Price Index's "All Urban Consumers – Other Goods and Services" index and in accordance with enplanement data as specified in the proposed lease. In no event would the MAG be less than the prior year's amount. In addition to the MAG, Wells Fargo Bank would pay the Airport:

- A percentage rent of 33 percent of any commission, surcharge, or other fee charged by Wells Fargo Bank to an ATM customer.

- A transaction rent of $0.10 for each customer use of a Wells Fargo Bank ATM.[1]
- A promotional charge of $1.00 per square foot per year, if the Airport launches an Airport marketing and promotional campaign.

According to Mr. David Pfeiffer of the Airport, under the existing lease between the Airport and Wells Fargo Bank, N.A., which began on February 16, 1998, Wells Fargo Bank will pay the Airport, for the last year of the lease, from February 16, 2002 to February 15, 2003, (a) the required MAG of $204,234, and (b) a percentage and transaction rent estimated at $114,038, for a total estimated payment by Wells Fargo Bank to the Airport of $318,272.

As stated above, under the proposed lease, Wells Fargo Bank is required to the pay the Airport a MAG of $282,000 for the first year of the proposed lease. Mr. Pfeiffer advises that the Airport is unable to estimate the amount of the percentage and transaction rent for the first year of the proposed lease payable by Wells Fargo Bank to the Airport because of the current uncertain economic conditions.

The MAG of $282,000 for the proposed lease to operate ten ATMs is $77,766 or approximately 38.1 percent more than the MAG of $204,234 for the last year of the existing lease to operate ten ATMs.

Term of Lease: The proposed lease would be for a term of five years and up to an additional 90 days for initial construction of required tenant improvements, commencing no earlier than February 16, 2003.

Right of Renewal: The Airport would have sole discretion to grant two one-year extensions.

Utilities and Janitor Provided by Lessor: Wells Fargo Bank would pay for the cost of all utilities and janitorial services.

[1] The transaction rent would not be payable with respect to (a) commissions, surcharges, or other fees on which percentage rent is payable, and (b) ATM customer transactions which are aborted.

Tenant Improvements: Wells Fargo Bank is required to spend at least $250 per ATM location to renovate its ten existing ATM locations within 90 days, for a total estimated cost of at least $2,500[2].

Description: On May 7, 2002, the Airport Commission authorized Airport staff to accept competitive bids to operate a total of ten ATMs in the Airport's North and South Terminals and the Airport's Rental Car Facility (Domestic Terminals ATM Lease A[3]). Subsequently, on July 9, 2002, the Airport Commission awarded Lease A to Wells Fargo Bank, N.A., as the highest responsive and qualified bidder, with a MAG of $282,000 for the first year of the lease. Under the proposed lease, Well Fargo Bank would operate ten ATMs, each one at a different location throughout the Airport's North and South Terminals and at the Airport's Rental Car Facility.

Comments: 1. According to Mr. Pfeiffer, the Airport sent Invitations to Bid for the subject lease to 304 firms. The Airport had required a minimum MAG bid amount of $180,000. The percentage rent and the transaction rent payable by the lessee were set by the Airport and were therefore the same for all bidders. According to Mr. Pfeiffer, seven potential bidders attended the Airport's pre-bid conference held on April 17, 2002. Subsequently, two firms submitted a bid: (a) Wells Fargo Bank with a MAG of $282,000 ($102,000 more than the Airport's required MAG of $180,000), and (b) Union Bank of California with a MAG of $250,000 ($70,000 more than the Airport's required MAG of $180,000). As previously noted, the MAG of $282,000 for the proposed lease is $77,766 or approximately 38.1 percent more than the MAG of

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[2] This amount of $250 does not include the costs to Wells Fargo Bank of purchasing and installing the ATMs themselves.

[3] According to Mr. David Pfeiffer of the Airport, Domestic Terminals ATM Lease B is for five ATM locations at the Airport. The required MAG was at least $95,000. Domestic Terminals ATM Lease B was awarded to the Union Bank of California which bid a MAG of $120,000 per year for five years, with two one-year options. According to Ms. Adrienne Go of the City Attorney's Office, Domestic Terminals ATM Lease B does not require Board of Supervisors approval because the projected revenue generated by the contract is less than $1,000,000 over the term of the contract. $1,000,000 in revenues is the threshold specified in Charter Section 9.118 for Board of Supervisors approval of revenue-generating contracts and leases.

$204,234 for the last year of the Airport's existing lease with Wells Fargo Bank, which expires on February 15, 2003.

2. In November of 1999, voters approved Proposition F prohibiting financial institutions from imposing surcharges on ATM customers. According to Ms. Adrienne Go of the City Attorney's Office, the proposed lease provides that if and when Proposition F is deemed by a court of competent jurisdiction to be applicable to Wells Fargo Bank's operations at the Airport, Wells Fargo Bank would have the right to terminate the lease.

Recommendation: Approve the proposed resolution.

EXHIBIT A
PREMISES

Approximately ten (10) ATM locations as indicated on the attached drawings.

1. Terminal 3, 2nd Level, across from Gates 70-71 (1)
2. Terminal 3, 1st Lev., Am. Airlines baggage claim, behind escalator (1)
3. Terminal Ex, United Airlines Express Terminal (1)
4. Terminal 1, 2nd Level, B/A C near Gate 42 (1)
5. Terminal 1, 1st Level, behind Carousel 7 (1)
6. Terminal 3, 2nd Level, B/A F before Gate 84 (1)
7. Terminal 3, 1st Level, near carousel 3 (1)
8. Rental Car Facility (1)
9. Terminal 1, 2nd Level, B/A C, Pre-Security (1)
10. Terminal 1, 2nd Level, B/A B across from Gate 22 (1)

Item 10 – File 02-1403

Department:	Airport
Item:	Resolution concurring with the Controller's certification that Airport Information Booth Services at San Francisco International Airport can continue to be practically performed by a private contractor at a lower cost than if work were performed by City and County employees.
Services to be Performed:	Airport Information Booth Services
Description:	The Airport Information Booth Services Program, which is operated daily from 8 a.m. to 12 midnight, was established by the Airport in 1990 to provide centralized locations for the purpose of (a) providing information to air passengers regarding Airport facilities and services, available ground transportation services, regional hotel accommodations, and visitor services and events, and (b) selling transit passes for regional public transportation systems to employees and Muni passports to visitors. Currently, the Airport has a total of six information booths on the Arrival Levels in three of the four terminals at the Airport. There are two booths in the North Terminal, two booths in the South Terminal, and two booths in the new International Terminal. According to Ms. Alice Sgourakis of the Airport, the old International Terminal (currently the Central Terminal) previously housed one information booth, but that booth was closed in the Fall of 2000 so that the Central Terminal could be renovated. Ms. Sgourakis advises that after the renovation is complete in the Spring of 2003, the Airport will re-open the information booth in the Central Terminal.

Polaris/TRG Joint Venture, a private contractor, has provided information booth services to the Airport since the establishment of the program in 1990.

Charter Section 10.104 provides that the City may contract with private firms for services that can be practically performed for a lower cost than similar work by City and County employees.

The Controller has determined that contracting for the Airport Information Booth Services for Fiscal Year 2002-2003 would result in estimated savings as follows:

	Lowest Salary Step	Highest Salary Step
City-Operated Service Costs		
Salaries	$905,600	$1,075,312
Fringe Benefits	245,646	270,092
Total	$1,151,246	$1,345,404
Contractual Services Cost*	(778,971)	(780,680)
Estimated Savings	$372,275	$564,724

*According to Ms. Marla Taylor of the Controller's Office, the Contractual Services Cost includes (a) the current contractor's cost of $771,382, and (b) the salary and fringe benefits of a 0.10 FTE 1823 Senior Administrative Analyst position for contract monitoring, at the lowest salary step of $7,589, and highest salary step of $9,298. The current contractor's cost, $771,382, is made up of the cost of (i) $529,158 for contracted positions, (ii) $180,739 for payroll taxes and fringe benefits, and (iii) $61,485 for overhead and profit.

Comments:

1. Mr. Duke Briscoe, Deputy Director of the Airport reports that Airport Information Booth Services were first certified as required under Charter Section 10.104 in Fiscal Year 1990-1991, and have been continuously provided by an outside contract since then.

2. Ms. Ilze Rozenbergs of the Airport reports that the most recent Airport Information Booth Services contract with Polaris/TRG Joint Venture began on September 15, 2001. The subject contract term is for one year, expiring September 14, 2002, with four annual renewals up to a maximum term of five years. According to Ms. Rozenbergs, the Airport selected Polaris/TRG Joint Venture in January of 2001 through a Request for Proposals process.

3. Ms. Ada Lam of the Airport reports that the Airport intends to exercise its first option to renew the Airport's contract with Polaris/TRG Joint Venture for the one-year period of September 15, 2002 through September 14, 2003.

4. The estimated total contract cost used for the purpose of this analysis is the Controller's estimate of the cost to provide airport information booth services for Fiscal Year 2002-2003 as described above.

5. The Controller's supplemental questionnaire with the Department's responses is attached to this report.

Recommendation: Approve the proposed resolution.

Attachment

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: SFIA Landside Operations

CONTRACT SERVICES: Airport Information Booth Program

CONTRACT PERIOD: July 1, 2002 to June 30, 2003

(1) **Who performed the activity/service prior to contracting out?**

Polaris Research and Deveopment has performed these services since the Program's inception in 1990.

(2) **How many City employees were laid off as a result of contracting out?**

None (see #1)

(3) **Explain the disposition of employees if they were not laid off.**

N/A (see Item #1)

(4) **What percentage of City employees' time is spent of services to be contracted out?**

N/A (see Item #1)

(5) **How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?**

Services have been contracted out since the Program's inception on Oct. 15, 1990. This will be an ongoing request for contracting out.

(6) **What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?**

It was first certified in Fiscal Year 1990/91 and has been certified each subsequent year.

(7) **How will the services meet the goals of your MBE/WBE Action Plan?**

Both members of the Polaris-TRG Joint Venture are minority owned companies. Under the first year of the Polaris-TRG contract, there was a 4% WBE/MBE action plan. Through April, 2002: 2% Coherent Group (WBE): staff training; 1% Stevens: office supplies; 5% The Robert Grp: Management support. Expect same in FY 02/03.

(8) **Does the proposed contractor provide health insurance for its employees?**

Polaris does offer a full benefits package to employees including health and disability coverage, life insurance, sick leave and vacation pay. The Contractor also provides a 401K retirement program for employees.

(9) **Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?**

Polaris provides benefits to employees with spouses and offers these benefits to domestic partners.

(10) **Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?**

Yes, Polaris-TRG complies with the stipulations of the Minimum Compensation Ordinance.

Department Representative: [signature]
Duke Briscoe, Deputy Airport Director, Operations

Telephone Number: (650) 821-5010

Item 11 - File 02-1410

Department: Airport

Item: Resolution authorizing the Airport Commission to accept and expend a funding increase of $493,000 from $1,202,500 to $1,695,500 from the Federal Aviation Administration ("FAA") for the San Francisco Police Department (SFPD) Airport Bureau K-9 Explosive Detection Team.

Grant Amount: $493,000

Grant Period: October 1, 1998, to September 30, 1999

Source of Funds: Federal Aviation Administration (FAA)

Required Match: None

Indirect Costs: Indirect costs have not been budgeted because they are not allowed by the granting agency.

Description: The proposed resolution would authorize the Airport to accept and expend a continuation of FAA grant funds in the amount of $493,000. The FAA has awarded the subject grant funds as reimbursement to the Airport for expenditures incurred for the Airport's K-9 Explosives Detection Team Program for Federal FY 1999-2000 in the amount of $252,500 and Federal FY 2000-2001 in the amount of $240,500, for a total grant amount of $493,000. According to Sgt. Dan Greeley of the Airport Bureau of the Police Department, the FAA grant funds will be used to partially reimburse the Airport for expenditures incurred for Airport dogs and dog handlers, including: dog handler salaries (pay differential), overtime, uniforms, dog food, veterinary care, kenneling, vehicles, vehicle maintenance, explosives travel and training and dog handler travel and training. The SFPD has eleven dogs for use in its Airport Bureau K-9 Explosives Detection Team Program. Sgt. Greeley advises that the minimum FAA reimbursement is $40,000 per year, per dog and related expenses, for up to six U.S. Transportation Security Administration certified dogs, for a minimum total reimbursement of $240,000 per year. The

reimbursements for Federal FY 1999-2000, in the amount of $252,500, and for Federal FY 2000-2001, in the amount of $240,500, are in excess of $40,000 per dog for six dogs based on the availability of FAA funds.

In January and August of 1998, the Board of Supervisors approved the acceptance and expenditure of FAA grant funds of $708,000 (Resolution Nos. 22-98 and 708-98). The original grant funds were used as reimbursement to the Airport for expenditures incurred for the Airport's K-9 Explosives Detection Team Program between March 23, 1997 and September 30, 1998. In July of 1999, the Board of Supervisors approved the acceptance and expenditure of additional FAA grant funds of $494,500 (File 99-1303). The additional grant funds were used as reimbursement to the Airport for the expenditures incurred for the K-9 Explosives Detection Team Program between October 1, 1998 and September 30, 1999. Therefore, total FAA grant funds for the Airport's K-9 Explosives Detection Team Program expenditures from March 23, 1997 to September 30, 1999 were in the amount of $1,202,500. The proposed resolution would increase total FAA funding for the Airport's K-9 Explosives Detection Team Program since October 1, 1999, by the subject grant amount of $493,000, from $1,202,500 to $1,695,500.

Budget:

Attachment I, provided by the Airport, contains budget details for the $493,000 in FAA grant reimbursement funds, including $252,500 for Federal FY 1999-2000 (October 1, 1999 to September 30, 2000) and $240,500 for Federal FY 2000-2001 (October 1, 2000 to September 30, 2001).

Comments:

1. The K-9 Explosives Detection Team, which was established in FY 1985-1986, includes eleven Airport Police officers, and eleven dogs. The Team responds to bomb threats, unattended bags, and other threats. The Team also searches aircraft as well as vehicles entering San Francisco International Airport. According to Sgt. Greeley, the Team also responds to other Bay Area jurisdictions, on an as-requested and as-available basis as part of the Multi-county Mutual Aid Response Program under which various law enforcement agencies provide assistance to one another. The San Francisco Police

Department is a member of the nine Bay Area County's Multi-county Mutual Aid Response Program.

2. Ms. Martha Peterson of the Airport advises that the Airport's K-9 Explosives Detection Team submits invoices to the FAA, which, as previously noted, reimburses the Airport for at least $40,000 per dog and related expenses for up to six dogs, on an annual basis.

3. Although the Budget Analyst believes that the FAA grant funds should be accepted, the Department has been unable to provide the Budget Analyst with all of the requested information pertaining to the K-9 Explosives Detection Team Program, including the total amount of expenditures incurred by the Airport's K-9 Explosives Detection Team and the total amount of FAA reimbursements since the inception of this Program. Further, the Department was unable to provide an explanation to the Budget Analyst as to why the Airport is just now requesting acceptance and expenditures of FAA funding reimbursement for expenditures incurred from October of 1999 through September of 2001.

4. Capt. Mario Gonzalez of the SFPD advises that the Police Department will present additional information directly to the Finance Committee at its meeting of August 21, 2002.

5. Attachment II to this report is the Department's Grant Information Form, including the Disability Access Checklist.

Recommendation: Approve the proposed resolution contingent on the Finance Committee being satisfied with the additional information to be provided by the Police Department directly to the Committee.

FEDERAL 1999/2000
PORPOSED BUDGET FOR THE FAA
REIMBURSEMENT GRANT OF $252,500

Qty	Description		Unit Cost	Total
	Federal FY 1999-2000 FAA Grant of $252,500			
12	Monthly K-9 Food		$800.00	$9,600.00
12	Monthly Vet Care		$935.00	$11,220.00
12	Monthly Kenneling		$375.00	$4,500.00
12	Monthly Vehicle Maintenance and Repairs		$1,250.00	$15,000.00
1	Conference Travel and Per Deim		$2,500.00	$2,500.00
	Canine Pay Differnetiqal		$1,900.00	$11,700.00
	Programmatic overtime			$64,790.00
	Internet Access (12 Months)			$230.00
	Communication Media			$500.00
		Subtotal		$120,040.00
	Program Enhancements			
6	Replacement Tires and Wheels (Tahoes)		$1,800.00	$10,800.00
2	Emergency Light Bar And Equipment		$4,230.00	$8,460.00
4	Panasonic In-Vehicle Laptop Computer		$6,000.00	$24,000.00
4	Laptop Computer Software		$3,000.00	$12,000.00
4	Laptop Computer Mountings, etc		$1,300.00	$5,200.00
4	Explosive Detection Canines		$10,000.00	$40,000.00
10	800 MHZ Portable Radios		$3,200.00	$32,000.00
		Subtotal		$132,460.00
		Total		$252,500.00

FEDERAL 2000/2001
PROPOSED BUDGET FOR THE FAA
REIMBURSEMENT GRANT OF $240,500

Qty	Description		Unit Cost	Total
	Federal FY 2000-2001 FAA Grant of $240,500			
12	Monthly K-9 Food		$800.00	$9,600.00
12	Monthly Vet Care		$935.00	$11,220.00
12	Monthly Kenneling		$375.00	$4,500.00
12	Monthly Vehicle Maintenance and Repairs		$1,250.00	$15,000.00
1	Conference Travel and Per Deim		$2,500.00	$2,500.00
	Canine Pay Differential		$1,900.00	$11,700.00
	Programmatic overtime			$64,790.00
	Internet Access (12 Months)			$230.00
	Communication Media			$500.00
		Subtotal		$120,040.00
	Program Enhancements			
4	Kennels		$1,000.00	$4,000.00
4	Emergency Lighting kits			$8,460.00
4	Panasonic In-Vehicle Laptop Computer		$6,000.00	$24,000.00
4	Laptop Computer Software		$3,000.00	$12,000.00
4	Laptop Computer Mountings, etc		$1,300.00	$5,200.00
4	Explosive Detection Canines		$10,000.00	$40,000.00
	Outside Training			$17,600.00
4	K-9 Vehicle Enclosures and temperature control		$2,300.00	$9,200.00
		Subtotal		$120,460.00
		Total		$240,500.00

File Number: ____________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: **K-9 Explosives and Detection Team Program**

2. Department: **Airport Commission SFPD – Airport Bureau**

3. Contact Person: **George Duran** Telephone: **(650) 821-2920**

4. Grant Approval Status (check one):

[x] Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: $

6a. Matching Funds Required: **None**
b. Source(s) of matching funds (if applicable):

7a. Grant Source Agency: **Federal Administration Agency ("FAA")**
b. Grant Pass-Through Agency (if applicable):

8. Proposed Grant Project Summary: **The FAA will provide partial funding assistance for up to six (6) FAA certified Airport canines and unit handlers for salaries, overtime, uniforms (laundry), K-9 food, K-9 veterinary (medications), K-9 kenneling, vehicles, vehicle care and maintenance, handler training/travel and explosive training/travel.**

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: **October 1, 1999** End-Date: **September 30, 2001**

10. Number of new positions created and funded: **None**

11. If new positions are created, explain the disposition of employees once the grant ends?

12a. Amount budgeted for contractual services: **None**

b. Will contractual services be put out to bid?

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements?

d. Is this likely to be a one-time or ongoing request for contracting out?

13a. Does the budget include indirect costs? [ ] Yes **[X]** No

b1. If yes, how much? $
b2. How was the amount calculated?

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments: **None**

****Disability Access Checklist*****

15. This Grant is intended for activities at (check all that apply):

[x] Existing Site(s) [x] Existing Structure(s) [x] Existing Program(s) or Service(s)
[ ] Rehabilitated Site(s) [ ] Rehabilitated Structure(s) [ ] New Program(s) or Service(s)
[ ] New Site(s) [ ] New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: ______________________
(Name)

Date Reviewed: July 3, 02

Department Approval: ______________________
(Name) (Title)

Comm. Secty.
(Signature)

Items 12, 13 and 14 - Files 02-1404, 02-1405 and 02-1406

The proposed ordinances would establish the Fiscal Year 2002-2003 Property Tax rates for the City and County of San Francisco including the Bay Area Air Quality Management District and the Bay Area Rapid Transit District (File 02-1404), for the San Francisco Community College District (File 02-1405), and for the San Francisco Unified School District (File 02-1406). The Property Tax rate proposed for the City and County of San Francisco is $1.1170 for each $100 of assessed value, which is the maximum allowable rate. The total Property Tax rate of $1.1170 per $100 of assessed value for Fiscal Year 2002-2003 for all of the jurisdictions named above, as calculated by the Controller, includes bond interest and redemption charges. The proposed Fiscal Year 2002-2003 Property Tax rate of $1.1170 is a decrease of $0.007 from the Fiscal Year 2001-2002 Tax rate of $1.1240.

The Fiscal Year 2001-2002 approved Property Tax rates and the Fiscal Year 2002-2003 proposed Property Tax rates are as follows:

City and County of San Francisco:

	Approved Fiscal Year 2001-2002 Rates	Proposed Fiscal Year 2002-2003 Rates	Increase (Decrease)
General Fund	0.57239620	0.57239620	-
Children's Fund	0.03000000	0.03000000	-
Open Space Acquisition Fund	0.02500000	0.02500000	-
County Superint. of Schools	0.00097335	0.00097335	-
Library Preservation Fund	0.02500000	0.02500000	-
S.F. Unified School District	0.28485725	0.28485725	-
S.F. Community College District	0.05336253	0.05336253	-
Bay Area Air Quality Management District	0.00208539	0.00208539	-
Bay Area Rapid Transit District	0.00632528	0.00632528	-
Subtotal, General Fund Tax Rate	$1.00	$1.00	$0.00

Property Tax Rates (Continued)

	Approved Fiscal Year 2001-2002 Rates	Proposed Fiscal Year 2002-2003 Rates	Increase (Decrease)
Rates for Bonded Indebtedness			
City and County of San Francisco	$ 0.12359506	$ 0.11671113	($ 0.00688)
S. F. Unified School District	0.00040494	0.00028887	(0.00012)
Subtotal, Bonded Indebtedness	$ 0.124	$ 0.117	($ 0.007)
Total Combined Tax Rate	$ 1.124	$ 1.117	($ 0.007)

Compared with the Fiscal Year 2001-2002 Property Tax rate of $1.124, the Fiscal Year 2002-2003 proposed $1.117 Property Tax rate will have the following effect on a tax bill for a single family residence assessed at $400,000 in FY 2001-2002:

	Fiscal Year 2001-2002	
Assessed Value	$400,000	
Less Homeowners Exemption	7,000	
Total	$393,000	divided by $100 x $1.1240 = $4,417.32

	Fiscal Year 2002-2003	
Assessed Value (2000-2001)	$400,000	
Add 2% Inflationary Rate	8,000	
Subtotal	$408,000	
Less Homeowners Exemption	7,000	
Total	$401,000	divided by $100 x $1.117 = $4,479.17

Net increase in Property Tax Bill for Fiscal Year 2002-2003 $61.85

As shown above, homeowners of a single family residence, assessed at $400,000, would experience an inflationary rate increase of 2 percent to the assessed value of the residence, as allowed under Proposition 13 for Fiscal Year 2002-2003. In the example reflected above, the inflationary rate increase, combined with the decreased rate for bonded indebtedness, results in a Property Tax increase of

$61.85, or a 1.4% increase, for Fiscal Year 2002-2003 as compared to Fiscal Year 2001-2002.

Section 37.3 (6) of the Administrative Code (the Residential Rent Stabilization and Arbitration Ordinance) allows landlords to pass through to tenants that portion of Property Taxes attributable to the City's General Obligation bonds approved by voters between November 1, 1996 and November 30, 1998. For Fiscal Year 2002-2003, the passthrough rate, as determined by the Controller, is $0.025 per $100 of assessed value, or 2.5 cents per $100 of assessed value. The passthrough rate in FY 2001-2002 was $0.025, which is the same as the proposed passthrough rate of $0.025 in FY 2001-2002. Landlords must comply with the Rent Board's procedures to be eligible for passthrough provisions.

Recommendation

Approve the proposed ordinances.

Item 15 - File 02 - 1407

The proposed ordinance would amend the previously approved Fiscal Year 2002-2003 Annual Appropriation Ordinance (AAO) as a prerequisite to the levy of the Property Tax rate. The proposed ordinance would amend the Fiscal Year 2002-2003 AAO to decrease previously appropriated funds in the amount of $31,964 (from $1,211,979 to $1,180,015) to the Art Commission for the Municipal Symphony Orchestra (one-eighth of one cent per $100 of assessed valuation) as required by Charter Section 16.106(1).

Comment

The Fiscal Year 2002-2003 budget presently includes $1,211,979 for the Art Commission expenditures for the Municipal Symphony Orchestra. The proposed ordinance would decrease this appropriation by $31,964 to $1,180,015 for Fiscal Year 2002-2003 in accordance with the Controller's final calculations.

Recommendation

Approve the proposed ordinance.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 544-5227

Notice of Cancelled Committee Meetings
OF THE BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN that the regularly scheduled Committee Meetings of the San Francisco Board of Supervisors for August 27, 2002 through September 16, 2002 are cancelled.

Gloria L. Young
Clerk of the Board

BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
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NOTICE OF CANCELLED MEETING

FINANCE COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN that the meeting of the Finance Committee scheduled for Wednesday, September 18, 2002, at 12:30 p.m., at 1 Dr. Carlton B. Goodlett Place, Room 263, City Hall, San Francisco, California, has been cancelled.

Gloria L. Young, Clerk of the Board

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Wednesday, September 25, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Sophie Maxwell.

MEETING CONVENED

The meeting convened at 12:38 p.m.

020576 [Proposition F, Citizens' General Obligation Bond Oversight Committee]

Supervisor Leno

Hearing to discuss the implementation of Proposition F, the Citizens' General Obligation Bond Oversight Committee ballot measure, approved by voters in March of 2002.

4/8/02, RECEIVED AND ASSIGNED to Rules and Audits Committee.

9/12/02, TRANSFERRED to Finance Committee.

Heard in Committee. Speakers: Supervisor Leno; Jodi Darby, Controller's Office, City Property Division; Karen Ribble, Mayor's Office of Public Finance; Michael Martin, Deputy City Attorney; Arlene Singer; Gloria Young, Clerk of the Board; Stan Warren, San Francisco Building Trades Council; Nathan Nayman, Committee on Jobs; Arthur Chang, Neighborhood Parks Council.

FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021221 **[Laws and procedures governing the enforcement of prevailing wages for workers on public work projects]**

Supervisors Ammiano, Daly, Peskin, Maxwell

Ordinance amending Administrative Code by adding subsection 6.1(H), definition of prevailing wage; amending subsection 6.22(A)(6) to include a requirement concerning subcontractor licenses; amending subsection 6.22(B) to include a requirement that all contractor and subcontractors provide workers' compensation insurance certificates; amending subsection 6.22(E) concerning application and enforcement of prevailing wage requirements and assessment of penalties and backwages; amending subsection 6.22(O) to add further contractual requirements for the employment of apprentices and to add penalties for noncompliance; adding subsection 6.22(P) concerning safety requirements for contractors and subcontractors; amending section 6.24 to expand the authority of the Office of Labor Standards Enforcement to enforce requirements of state and federal law, to enforce working conditions and apprenticeship and to assess monetary penalties and backwages against public work contractors.

7/8/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 8/7/2002. (9/13/02 - Referred to Small Business Commission for comment and recommendation.)

Heard in Committee. Speakers: Supervisor Ammiano; Cheryl Bregman, Deputy City Attorney; Harvey Rose, Budget Analyst; Judith Blackwell, Director, Office of Contract Administration; Donna Levitt, Labor Standards Enforcement Officer, Office of Labor Standards Enforcement; Office of Contract Administration; Cathy Widener, Airport; Stan Warren, Building Trades Council; Rudy Calderon, President, Laborers Asbestos, Local 67; Theodore Lakey, Deputy City Attorney.
Supervisors Daly, Peskin and Maxwell added as co-sponsors.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance amending the Administrative Code by adding subsection 6.1(H), definition of prevailing wage; amending subsection 6.22(A)(6) to include a requirement concerning subcontractor licenses; amending subsection 6.22(B) to include a requirement that all contractor and subcontractors provide workers' compensation insurance certificates; amending subsection 6.22(E) concerning application and enforcement of prevailing wage requirements and assessment of penalties and backwages; amending subsection 6.22(O) to add further contractual requirements for the employment of apprentices and to add penalties for noncompliance; adding subsection 6.22(P) concerning safety requirements for contractors and subcontractors; amending section 6.24 to expand the authority of the Office of Labor Standards Enforcement to enforce requirements of state and federal law, to enforce working conditions and apprenticeship and to assess monetary penalties and backwages against public work contractors.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Daly, Maxwell

021310 **[PUC contract with Primus Infrastructure and Jacobs Civil Inc. for program management services.]**

Supervisor Peskin

Hearing regarding the Public Utilities Commission's progress toward implementing its contract with Primus Infrastructure and Jacobs Civil Inc. for program management services.

7/22/02, RECEIVED AND ASSIGNED to Finance Committee.

Speakers: None.
Continued to 10/9/02.

CONTINUED by the following vote:
Ayes: 3 - Peskin, Daly, Maxwell

021470 **[Contracting Out Budget Analyst Services]**

Resolution concurring with the Controller's certification that Budget Analyst services can be practically performed by a private contractor for lower cost than similar work services performed by City and County employees. (Clerk of the Board)

8/19/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Monique Zmuda, Deputy Controller; Gloria Young, Clerk of the Board; John Bardis.

RECOMMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021315 **[Contracting out Janitorial Services]**

Resolution concurring with the Controller's Certification that janitorial services can be practically performed at the Asian Art Museum under private contract at a lesser cost than similar work performed by employees of the City and County. (Asian Arts Commission)

7/29/02, RECEIVED AND ASSIGNED to Finance Committee.

8/21/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Dr. Emily Sano, Director, Asian Art Museum; Monique Zmuda, Deputy Controller; Linus Black; Rebecca Miller, SEIU, Local 790; Andre Spearmon, SEIU, Local 790; Ben Rosenfield, Mayor's Budget Office.
Continued to 9/25/02.

Speakers: None.
Continued to 10/2/02.

CONTINUED by the following vote:

Ayes: 2 - Peskin, Maxwell
Absent: 1 - Daly

021324 **[Airport Concession Lease]**

Resolution approving the Domestic Terminals Automated Teller Machine Lease A between Wells Fargo Bank, N.A. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

(Public Benefit Recipient.)

8/7/02, RECEIVED AND ASSIGNED to Finance Committee.

8/21/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cathy Widener, Governmental Affairs Administrator, Airport; Theodore Lakey, Deputy City Attorney; Andre Spearmon, SEIU, Local 790.
Continued to 9/25/02.

Speakers: None.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, Maxwell
Absent: 1 - Daly

021291 **[Accept-Expend Federal Grant]**

Resolution authorizing the Airport Commission to accept and expend a Federal Airport Improvement Program grant in the amount of $5,291,558.00 from the U.S. Department of Transportation Federal Aviation Administration, and approving Modification Nos. 4 and 5 to Contract No. 4240.1 for preparation of environmental impact studies for the proposed runway reconfiguration project, for a total contract amount not to exceed $19,741,558. (Airport Commission)

(Public Benefit Recipient.)

7/24/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Stuart Sunshine, Airport; Eileen Bogan, SPEAK; Amy Quark, Alliance for a Clean Waterfront.
Continued to 10/2/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021419 **[MOU - San Francisco Police Officers' Association]**

Mayor, Supervisor Newsom

Ordinance adopting and implementing Amendment No. 1 to the 2001-2003 Collective Bargaining Agreement between the San Francisco Police Officers' Association (SFPOA) and the City and County of San Francisco by amending Sections 13 (A) and (F) to incorporate the parties' agreement to clarify their intent with regard to compensation for canine officers and to correct clerical errors. (Mayor)

8/12/02, RECEIVED AND ASSIGNED to Finance Committee. (9/25/02 - Revised Amendment No. 1 to 2001-2003 Collective Bargaining Agreement between SFPOA and City submitted by Department.)

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Theodore Lakey, Deputy City Attorney.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021544 **[Reserved Funds, Fire Department]**

Hearing to consider release of reserved funds, Fire Department (Ordinance No. 127-96, 1986 Fire Protection Bond interest earnings), in the amount of $2,071,417, to install the motorized gate valves essential to control the flows and pressures and preserve the integrity of the AWSS system in the event of a main failure. (Fire Department)

8/22/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Paul Jones, Assistant Chief, Fire Department.
Release of reserved funds in the amount of $32,417 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021314 **[Department of Consumer Assurance's schedule of fees for weighing and measuring devices]**
Supervisor Gonzalez

Resolution approving a schedule of fees to be charged by the Department of Consumer Assurance for testing of weighing and measuring devices initiated by written request and for reinspecting, retesting and recertifying weighing and measuring devices found to be outside the tolerances or specifications set by the California Department of Food and Agriculture upon an initial inspection prescribed by California Business and Professions Code Section 12210(a), and ratifying any such fees charged by the Department prior to this resolution.

7/30/02, RECEIVED AND ASSIGNED to Finance Committee. (9/13/02 - Referred to Small Business Commission for comment and recommendation.)

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Sid Baker, Department of Consumer Assurance.

RECOMMENDED by the following vote:
Ayes: 3 - Peskin, Daly, Maxwell

021284 **[Extension of Agreement with PRWT Services, Inc.]**

Resolution authorizing a two-year extension of the agreement between PRWT Services, Inc. and the City and County of San Francisco. (Parking and Traffic Department)

(Fiscal impact.)

7/22/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the August 14, 2002 meeting.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Fred Hamdun, Executive Director, Department of Parking and Traffic.
Amended on page 1, lines 16, 20, and 24, by replacing "Second" with "Third."
AMENDED.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Daly, Maxwell

021283 **[Certification of Lower Cost Services]**

Resolution concurring with the Controller's certification that proposed services to be provided by PRWT Services, Inc. can be performed at a lower cost than similar services performed by City and County employees. (Parking and Traffic Department)

(Fiscal impact; Companion measure to File 021284.)

7/22/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the August 14, 2002 meeting.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Fred Hamdun, Executive Director, Department of Parking and Traffic.

RECOMMENDED by the following vote:
Ayes: 3 - Peskin, Daly, Maxwell

020782 **[Planning Code Amendment - South of Market SUD Amendments]**

Supervisor Daly

Ordinance amending Planning Code Sections 803.5 and 822 to include union halls as permitted principal uses in the South of Market Special Hall of Justice Legal Services District, to include Assessor's Block 3780 Lots 1 and 2 as part of the South of Market Special Hall of Justice Legal Services District, and to correct citations and zoning map page number references; amending Zoning Map Sheet 8SU of the City and County of San Francisco to include Lots 1 and 2 in Assessor's Block 3870 as part of the South of Market Special Hall of Justice Legal Services District; and making findings of consistency with the priority policies of Planning Code Section 101.1 and the General Plan.

5/13/02, ASSIGNED UNDER 30 DAY RULE to Transportation and Commerce Committee, expires on 6/12/2002. 5/24/02 - Transmitted to Planning Commission for public hearing and recommendation.

8/9/02, TRANSFERRED to Finance Committee. 9/18/02 - From Planning Department, Mitigated Negative Declaration issued on 8/30/02.

Speakers: None.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

ADJOURNMENT

The meeting adjourned at 3:12 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

September 19, 2002

TO: Finance Committee
FROM: Budget Analyst
SUBJECT: September 25, 2002 Finance Committee Meeting

Item 2 - File 02-1221

Department: Office of Contract Administration (OCA)
Office of Labor Standards Enforcement (OLSE)

Item: Ordinance amending the Administrative Code by adding subsection 6.1(H), definition of prevailing wage; amending subsection 6.22(A)(6) to include a requirement concerning subcontractor licenses; amending subsection 6.22(B) to include a requirement that all contractor and subcontractors provide workers' compensation insurance certificates; amending subsection 6.22(E) concerning application and enforcement of prevailing wage requirements and assessment of penalties and backwages; amending subsection 6.22(O) to add further contractual requirements for the employment of apprentices and to add penalties for noncompliance; adding subsection 6.22(P) concerning safety requirements for contractors and subcontractors; amending section 6.24 to expand the authority of the Office of Labor Standards Enforcement, within the Office of Contract Administration, to enforce requirements of State and Federal law, to enforce working conditions and apprenticeship and to assess monetary penalties and backwages against private firms holding public works contracts with the City.

Description: The proposed ordinance would amend the San Francisco Administrative Code to clarify the City's responsibilities pertaining to the enforcement of the payment of

prevailing wage rates, and to provide consistency with the San Francisco Charter and with State law. The ordinance would also expand the authority of the Office of Labor Standards Enforcement within the Office of Contract Administration (OLSE). Ms. Donna Levitt, the Labor Standards Enforcement Officer for the Office of Contract Administration, reports that the proposed ordinance is intended to improve the ability of the City and County of San Francisco to enforce the requirement that employees of prime contractors and subcontractors, which have been awarded public works or improvement contracts by the City, are paid the prevailing rate of wage. The proposed ordinance adds to Chapter 6 of the Administrative Code a definition for "prevailing wage" and "prevailing rate of wage," which is as follows: "the prevailing wage, as used in this Chapter, is the highest general prevailing rate of wage plus "per diem wages[1]" and wages paid for overtime and holiday work paid in private employment in the City and County of San Francisco for the various crafts and kinds of labor employed in the performance of any public work or improvement under this Chapter." Currently, Chapter 6 of the Administrative Code does not define either "prevailing wage" or "prevailing rate of wage."

The proposed ordinance would also amend the Administrative Code by adding the requirement that all subcontractors, which bid on City public works contracts, be licensed for the type of work on the specific project at the time the firms submit their bids for a City contract. This is a clarification consistent with State law. In addition, the proposed ordinance would require that all contractors and subcontractors provide proof of workers compensation insurance. Ms. Levitt states that currently all contractors and subcontractors are required to have workers compensation insurance, but the Administrative Code currently only requires that prime contractors, and not subcontractors, provide proof of workers compensation insurance. Ms. Levitt advises that this new requirement is consistent with California Labor Code. Currently, any contractor or subcontractor that does not comply with

[1] Per diem wages, as defined in the California Labor Code are, "deemed to include employer payments for health and welfare, pension, vacation, travel, subsistence, and apprenticeship or other training programs authorized by Section 3093 so long as the cost of training is reasonably related to the amount of the contributions, and similar purposes."

paying prevailing wage rates is subject only to a penalty of $50 per day for each employee covered by the prevailing wage rate requirements, who is not paid prevailing wages. The proposed ordinance would amend the Administrative Code by adding a provision for the forfeiture of back wages in addition to any penalty amounts. Under the proposed ordinance, the amount of backwages owed to employees, as a result of failure to pay prevailing wage rates, will be witheld from City payments to contractors and subcontractors until such time that the contractors and subcontractors show proof that such backwages have been paid to their employees.

However, Ms. Levitt advises that based on existing State law, the Office of Labor Standards Enforcement has been assessing contractors and subcontractors penalties and backwages since the Office began investigations of public works contracts in July of 2001. As reported in the attached memorandum, provided by Ms. Levitt, the Office has assessed $154,001 in penalties for non-compliance with the prevailing wage rates and an additional $272,137 in backwages owed to contractor and subcontractor employees since July of 2001 (see Comment No. 1). Such assessments result in the City witholding payments due to contractors and subcontractors under their applicable City contracts. Under the current provisions of the Administrative Code, it is the responsibility of the Department Head managing a public works project to withold the amount of any penalties when certifying to the Controller the amount of payment due by the City to contractors and subcontractors. Although there are no current provisions in the Administrative Code for the forfeiture (witholding) of backwages, the Administrative Code does contain provisions for the forfeiture (witholding) of penalties. Under the proposed ordinance, the Department Head would also be required to submit written notification to the Labor Standards Enforcement Officer of such penalties and the amount to be forfeited would also include backwages. As stated previously, backwages owed to contractor and subcontractor employees will be witheld by the City until such time that the contractors and subcontractors show proof that backwages pertaining to nonpayment of prevailing wages have been paid to the

their employees. In the event that contractors and subcontractors do not pay their employees the backwages owed, the City would then directly pay the contractor and subcontractor employees the backwages from the monies witheld under the applicable City contracts.

Under the proposed ordinance, the Controller would withold any forfeiture for penalties and backwages from the amount due from the applicable City contract for the work performed by the contractor or subcontractor until the contractor or subcontractor has agreed with the forfeiture or, in the event of an objection, until the matter is no longer subject to judicial review. The proposed ordinance provides that the Labor Standards Enforcement Officer make his/her best efforts to pay the backwages withheld to the individual workers identified as not having been paid the proper prevailing wage rate and that in the event that the individual workers cannot be located, the monies be held in escrow for two years. After two years, the monies for backwages would be dedicated to funding the City's enforcement costs pertaining to prevailing wage requirements. The proposed ordinance further provides that any penalties assessed that are in addition to backwages would be deposited to the City's General Fund.

The proposed ordinance also adds an appeal procedure for contractors and subcontractors who disagree with a forfeiture of penalty amounts and/or backwages. Under the current Prevailing Wage Ordinance, there is no formal appeals process for contractors and subcontractors who disagree with a forfeiture of penalty amounts and/or backwages. The proposed ordinance would provide that if a contractor or subcontractor disagrees with a forfeiture, then within 15 working days of the date of receiving notification from the City, the contractor or subcontractor may request a hearing before the City Administrator. A hearing must then be held by the City Administrator or his or her designee within 45 days of the request, unless all parties agree to an extension. The proposed ordinance further provides that the determination of the City Administrator or designee is final and that the contractor or subcontractor can only appeal the determination of the City Administrator through a lawsuit for breach of

contract. Ms. Sheryl Bregman of the City Attorney's Office advises that the contractors and subcontractors would have one year to take legal action (file a Notice of Government Claim) against the City if they disagree with the final determination of the City Administrator.

In addition, the proposed ordinance would add a new penalty for failing to cooperate with the Office of Labor Standards Enforcement, in accordance with California Labor Code Section 1776(g). The proposed ordinance also updates the requirement for records to be maintained by contractors and subcontractors for the purpose of monitoring compliance with the prevailing wage requirements by stipulating that payrolls and basic records such as time cards, agreements, accounting ledgers, tax forms and logs be kept by the contractor and subcontractor for four years after a public work project is completed and be made available to the City at any time up to four years after the completion of the project. The proposed ordinance adds a penalty of $25 per calendar day for any contractor or subcontractor who fails to comply with the above provision. Under the proposed ordinance, the Labor Standards Enforcement Officer would request that the Controller withhold such penalties from payments due to the contractor or subcontractor.

The proposed ordinance would also extend the scope of the prevailing wage requirements to City preconstruction trade work[2] and to City public works projects paid for with the equivalent of money under California Labor Code section 1720(b). According to Ms. Bregman, "the equivalent of money" refers to the transfer of assets other than money and can include bond premiums, credits or the transfer of assets at less than market value. This means that contractors and subcontractors who are compensated with assets other than money are subject to the prevailing wage requirements.

The proposed ordinance would also:

- Clarify and update the requirements for the determination of the amount of prevailing wage to be

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[2] Preconstruction work is the work performed in preparation for a construction project including design work, permitting and site inspections.

paid as determined by the Board of Supervisors by including "per diem wages" as defined by the California Labor Code;

- Clarify and update the publication and availability of the Board of Supervisors determination to stipulate that City Departments make available to contractors and subcontractors a detailed statement of the prevailing rate of wages as determined by the Board of Supervisors;
- Include a requirement that all construction contracts under Administrative Code Chapter 6 require compliance with the applicable California Occupational Safety and Health statutes and regulations; and
- Clarify and update the scope of the authority of the OLSE to include working conditions and apprenticeship requirements in addition to prevailing wage.

Comment:

As stated previously, Ms. Levitt reports that the Office of Labor Standards Enforcement has assessed contractors and subcontractors $154,001 in penalties and an additional $272,137 in backwages since July of 2001, as a result of noncompliance in paying their employees prevailing wage rates. As reported in the Attachment, out of the amounts assessed, the OLSE has collected $39,362 in penalties and an additional $85,147 for backwages as of the writing of this report. According to Ms. Levitt there was a delay in collecting penalties and backwages in the past because the OLSE did not have a system in place for collecting and distributing the monies. Ms. Levitt advises that in June of 2002, the OLSE created a Settlement and Release Letter which contractors or subcontractors are required to sign when they have agreed to the assessed penalties. As stated above, when contractors or subcontractors do not agree to assessed penalties and/or backwages or the final determination of the City Administrator, the contractors and subcontractors have one year to take legal action against the City. After one year, or if a determination is no longer subject to judicial review, the City will be able to distribute the monies witheld by the City from the applicable City contracts (forfeited monies). According to Ms. Levitt, in July of 2002, the OLSE and the Controller's Office implemented a

Citywide account into which penalties will be deposited when investigations are closed.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

City and County of San Francisco

Willie Lewis Brown, Jr.
Mayor

Attachment
Page 1 of 3

Office of Contract Administration
Judith A. Blackwell, Director

Office of Labor Standards Enforcement
Donna Levitt, Manager

Memorandum

To: Budget Analyst
From: Donna Levitt
Date: September 18, 2002
Re: File 02-1221, Admin. Code Amendment - Chapter 6

This memo addresses the information requested by Sarah Graham for the Budget Analyst regarding the proposed amendments to the Administrative Code.

Backwages and Penalties Collected by OLSE

The Office of Labor Standards Enforcement ("OLSE") has assessed approximately $272,000 in backwages and $154,000 in penalties against contractors for labor standards violations on public works projects. To date, backwages totaling $85,147 have been paid to workers as a result of OLSE assessments. In addition, penalties in the amount of $39,362 have been collected and are now recoverable to the General Fund.[1] (see attached chart)

The full amount of assessed backwages and penalties has not been collected because the judicial review process is not yet complete for some of the forfeitures. A contractor may have appealed an assessment and that appeal may be pending. If a contractor still disagrees with the final determination of OLSE and the contracting department after the appeal, the contractor has one year, from the date of the assessment, to take legal action (file a Notice of Government Claim). In those cases, the backwages and penalties are not available for collection until one year after the date of the assessment.

The Settlement and Mutual Release letter is signed by the contractor when he/she agrees with the forfeiture assessed by OLSE and the contracting department. A signed Settlement and Release letter allows the City to distribute backwages and transfer penalty amounts from the contract to the penalty account set up by the Controllers Office.

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[1] "Recoverable" means that the contractor or subcontractor has agreed to the forfeiture and has signed either a Settlement and Mutual Release or a change order to forfeit the wage and/or penalty assessment.

City Hall, Room 430 1 Dr. Carlton B. Goodlett Place Tel. (415) 554-6235 Fax (415) 554-6291 San Francisco CA 94102-4685

Proposed Appeal Process

The Administrative Code currently contains no recourse or appeal process for contractors who disagree with assessments. The proposed ordinance contains the following process:

1. If a contractor of subcontractor disagrees with the forfeiture then they may request a hearing within 15 days.
2. The City Administrator, or a designee, conducts a hearing and considers evidence provided by the contractor, subcontractor, contracting department, or the Office of Labor Standards Enforcement.
3. The hearing shall occur within 45 days of the request, unless all parties agree to extend this time.
4. The determination by the City Administrator is final
5. Contractor may appeal by filing suit for breach of contract.

OLSE Case Investigation Summary
Sept. 18, 2002

Project	Contractor	Back Wages Assessed	Penalties Assessed	Back Wages Collected	Penalties Collected
New Zoo Education Center	NuTek	21,014	21,600		
	L& L Construction	95,101	36,000		
	VR Electric	31,423	7,400		
	Ellison Painting	15,706	16,000	15,434	
	Golden Pacific	3,011	3,250		
	Kenney's Sash and Glass	626	300		
	Pioneer Contractors	3,327	1,250		
Golden Gate Park Restrooms	Alpha Bay Builders	425	450	425	450
Clarendon Pump Station	Mitchell Engineering	11,721	3,612	11,721	3,612
	Del Conte's Landscaping	2,268	4,800	2,268	
Martin Luther King Jr. Pool	C.M. Chiang Construction	7,242	9,050		
College Hill Reservoir	EG Construction	4,000	1,000	4,000	1,000
Oak & Fell St.Traffic Signals	King C Electric	6,641	4,350		
	Heung Yeung Yu Const.	3,328	2,850		
Ulloa Street Curb Ramps	King C. Electric	1,958	4,114		
	Heung Yeung Yu Const.	2,692	2,100		
SF County Fair Bldg. Re-roof	Bluewater Environmental	20,660	7,200	20,660	7,200
SFGH Service Bldg. Bracing	Lombardi Construction	3,853	4,150	3,853	4,150
Waterfront Transportion	Phoenix Electric	15,689	11,800	15,689	11,800
	Arrow Sign Co.	996	500	996	500
Pine Street Traffic Signals	Phoenix Electric	6,654	8,300	6,654	8,300
Children's Zoo Barn	L & L Construction	6,844	825		
	VR Electric	3,511	750		
525 Golden Gate Ave.	AMG	3,447	2,350	3,447	2,350
	Totals	**$272,137**	**$154,001**	**$85,147**	**$39,362**

Item 5 – File 02-1315

Note: This item was continued from the August 21, 2002 Finance Committee Meeting.

Department: Asian Art Museum

Item: Resolution concurring with the Controller's certification that janitorial services at the Asian Art Museum can be practically performed by a private contract at a lower cost than similar work services performed by City and County employees.

Services to be Performed: Janitorial services at the Asian Art Museum

Description: Charter Section 10.104 provides that the City may contract with private firms for services that can be practically performed for a lower cost than similar work performed by City employees.

The Controller has determined that contracting for janitorial services at the Asian Art Museum for FY 2002-03 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$441,559	$522,290
Fringe Benefits	138,536	151,227
Equipment	10,284	10,284
Total	$590,379	$683,801
Contractual Services Cost*	(372,527)	(372,921)
Estimated Savings	$217,852	$310,880

* The Contractual Services Cost difference is due to the inclusion of City contract monitoring costs at the lowest and highest salary steps.

Comments: 1. The Asian Art Museum closed its operations at its Golden Gate Park facility on October 7, 2001 and will reopen at its new Civic Center facility in January of 2003. In the past, the M.H. de Young Museum and the Asian Art Museum used to be located in the same building in Golden Gate Park. Janitorial services for the shared portions of the Golden Gate Park facility, including the entry way and the restrooms, were provided by 2.0 FTE

2708 Custodian positions and funded in the Fine Arts Museum budget. Mr. Steve Dykes of the Fine Arts Museum reports that the 2.0 FTE 2708 Custodian positions that provided janitorial services for the shared portions of the Golden Gate Park facility continue to be included in the Fine Arts Museum budget. Mr. Dykes further reports that these two positions currently provide janitorial services at the Palace of the Legion of Honor.

In addition to the 2.0 FTE 2708 Custodian positions included in the Fine Arts Museum budget, for the past nine years, the Asian Art Museum Foundation has paid approximately $55,000 per year for a janitorial services contract for the upkeep of the Asian Art Museum exhibit space and administrative offices at the Golden Gate Park facility, according to Ms. Ikuko Satoda of the Asian Art Museum. According to Ms. Satoda, the janitorial services contract for upkeep of Asian Art Museum space at the Golden Gate Park facility, paid for by the Asian Art Museum Foundation, was terminated when the Asian Art Museum closed its operations at its Golden Gate Park facility in October of 2001. In the attached memorandum (Attachment I), Ms. Satoda provides additional information on the provision of custodial services at the Asian Art Museum.

Ms. Satoda advises that the janitorial services contract for upkeep of the Museum's new Civic Center facility is anticipated to begin on November 1, 2002. Therefore, the Fiscal Year 2002-03 Asian Art Museum budget includes funding of $247,000 for eight months of a janitorial services contract.

2. The Contractual Services Cost used for the purpose of the analysis is based on (a) the Asian Art Museum's estimated FY 2002-03 costs to provide janitorial services for a full 12 months based on the associated workload at the new Civic Center facility and the industry standards for the cost of providing such janitorial services, and (b) the salary and fringe benefits at the lowest and highest salary steps of 0.25 FTE 7120 Buildings and Grounds Maintenance position at the Asian Art Museum to monitor the contract.

3. According to Ms. Emily Sano of the Asian Art Museum, the Department would issue a Request for Proposals (RFP) for the Asian Art Museum's janitorial services contract immediately upon approval of the subject resolution.

4. Attachment II, provided by the Asian Art Museum, is the Controller's supplemental questionnaire, with the responses from the Asian Art Museum.

5. The Budget Analyst notes that a supplemental appropriation ordinance for $490,889 (File 02-1507), which is $117,968 or 31.6 percent more then the proposed contract amount of $372,921 included in the Controller's certification, and a companion Salary Ordinance (File 02-1529) to fund the creation of ten new in-house Civil Service custodian positions for the Asian Art Museum are currently pending in the Finance Committee. This $490,000 pending supplemental appropriation includes $247,000 to be reappropriated from the existing FY 2002-03 Asian Art Museum's budget for the subject janitorial services contract and $243,889 of additional General Fund monies. Therefore, the Budget Analyst recommends that the proposed resolution (File 02-1315), to approve the Controller's certification that janitorial services at the Asian Art Museum can be performed at a lower cost by a private contractor, should be continued in order to be heard by the Finance Committee at the same time as the pending supplemental appropriation and Salary Ordinance are heard.

Recommendation: Continue the proposed resolution to the Call of the Chair, pending the scheduling of the supplemental appropriation (File 02-1507) and Salary Ordinance (File 02-1529) that would create and fund in-house custodian positions for the Asian Art Museum instead of contracting out for such services.

Attachment I

Asian Art Museum of San Francisco
Memorandum

TO: Anna LaForte, Budget Analyst Office

FROM: Ikuko Satoda, Asian Art Museum

DATE: August 13, 2002

Re: Custodial Services

This memo is in response to your question regarding the City's responsibility in maintaining the City's new building, Asian Art Museum.

For its entire existence the Asian Art Museum has relied on the promise of the City Charter (Sec. 16.106) to maintain the integrity of the Museum and its collections. For most of our history, the City contribution to security, custodial and building maintenance was part of the Fine Arts Museums' budget and to be performed by civil service employees. Nine years ago, due to the budget reduction and administrative oversight, the funds for services provided to FAM by the City were significantly reduced, and one custodial position for the AAM was eliminated. In order to maintain the building at Golden Gate Park at an acceptable level, the Asian Art Foundation has been supplementing the custodial services by engaging outside janitorial services for several years.

Since we are opening a newly renovated facility, which has been paid for largely with private funds as a gift to the City and County of San Francisco, we were assured continuing City support to resume the responsibility of maintaining the City's brand new building by appropriating the costs of custodial services again to the Asian Art Museum.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: __Asian Art Museum____________________________

CONTRACT SERVICES: _Janitorial Services____________________

CONTRACT PERIOD: ___One Year______________________________

(1) Who performed the activity/service prior to contracting out?

N/A since the facility is brand new.

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

N/A

(4) What percentage of City employees' time is spent of services to be contracted out?

N/A

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Never up to now. It will be ongoing request.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

FY 02-03 will be the first year.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

Meet MBE requirement.

(8) Does the proposed contractor provide health insurance for its employees?

Assumed "yes" since the vendor is on the City approved list.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Assumed "yes" since the vendor is on the City approved list.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Assumed "yes" since the vendor is on the City approved list.

Department Representative: __Ikuko Satoda________________________

Telephone Number: __415-557-6813________________________________

Item 6 - File 02-1324

Note: This item was continued by the Finance Committee at its meeting of August 21, 2002. Ms. Cathy Widener of the Airport has requested that the item be continued to the call of the Chair pending further negotiations with Wells Fargo Bank, N.A. regarding the ability of Wells Fargo Bank to terminate the proposed lease (see Comment No. 2).

Department:	Airport
Item:	Resolution approving the Domestic Terminals Automated Teller Machine Lease A between Wells Fargo Bank, N.A. and the City and County of San Francisco, acting by and through its Airport Commission, for the operation of ten automatic teller machines (ATMs) at the Airport's North and South Terminals and the Airport's Rental Care Facility.
Location:	The North and South Terminals and the Rental Car Facility, San Francisco International Airport
Purpose of Lease:	The proposed new five year and 90 day lease would provide space at ten locations throughout the Airport's North and South Terminals and the Airport's Rental Car Facility to Wells Fargo Bank, N.A. to operate one automated teller machine (ATM) at each of the ten different locations. These ten ATMs would operate 24 hours per day, seven days a week at the locations listed in the Attachment provided by the Airport.
Lessor:	City and County of San Francisco, acting by and through its Airport Commission.
Lessee:	Wells Fargo Bank, N.A., a California corporation
Annual Rental Revenues Payable by Wells Fargo Bank to the Airport:	Minimum Annual Guarantee (MAG) of $282,000, to be adjusted annually by the percentage increase in the Consumer Price Index's "All Urban Consumers – Other Goods and Services" index and in accordance with enplanement data as specified in the proposed lease. In no event would the MAG be less than the prior year's amount. In addition to the MAG, Wells Fargo Bank would pay the Airport:

- A percentage rent of 33 percent of any commission, surcharge, or other fee charged by Wells Fargo Bank to an ATM customer.

- A transaction rent of $0.10 for each customer use of a Wells Fargo Bank ATM.[1]
- A promotional charge of $1.00 per square foot per year, if the Airport launches an Airport marketing and promotional campaign.

According to Mr. David Pfeiffer of the Airport, under the existing lease between the Airport and Wells Fargo Bank, N.A., which began on February 16, 1998, Wells Fargo Bank will pay the Airport, for the last year of the lease, from February 16, 2002 to February 15, 2003, (a) the required MAG of $204,234, and (b) a percentage and transaction rent estimated at $114,038, for a total estimated payment by Wells Fargo Bank to the Airport of $318,272.

As stated above, under the proposed lease, Wells Fargo Bank is required to the pay the Airport a MAG of $282,000 for the first year of the proposed lease. Mr. Pfeiffer advises that the Airport is unable to estimate the amount of the percentage and transaction rent for the first year of the proposed lease payable by Wells Fargo Bank to the Airport because of the current uncertain economic conditions.

The MAG of $282,000 for the proposed lease to operate ten ATMs is $77,766 or approximately 38.1 percent more than the MAG of $204,234 for the last year of the existing lease to operate ten ATMs.

Term of Lease: The proposed lease would be for a term of five years and up to an additional 90 days for initial construction of required tenant improvements, commencing no earlier than February 16, 2003.

Right of Renewal: The Airport would have sole discretion to grant two one-year extensions.

Utilities and Janitor Provided by Lessor: Wells Fargo Bank would pay for the cost of all utilities and janitorial services.

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[1] The transaction rent would not be payable with respect to (a) commissions, surcharges, or other fees on which percentage rent is payable, and (b) ATM customer transactions which are aborted.

Tenant Improvements: Wells Fargo Bank is required to spend at least $250 per ATM location to renovate its ten existing ATM locations within 90 days, for a total estimated cost of at least $2,500[2].

Description: On May 7, 2002, the Airport Commission authorized Airport staff to accept competitive bids to operate a total of ten ATMs in the Airport's North and South Terminals and the Airport's Rental Car Facility (Domestic Terminals ATM Lease A[3]). Subsequently, on July 9, 2002, the Airport Commission awarded Lease A to Wells Fargo Bank, N.A., as the highest responsive and qualified bidder, with a MAG of $282,000 for the first year of the lease. Under the proposed lease, Well Fargo Bank would operate ten ATMs, each one at a different location throughout the Airport's North and South Terminals and at the Airport's Rental Car Facility.

Comments: 1. According to Mr. Pfeiffer, the Airport sent Invitations to Bid for the subject lease to 304 firms. The Airport had required a minimum MAG bid amount of $180,000. The percentage rent and the transaction rent payable by the lessee were set by the Airport and were therefore the same for all bidders. According to Mr. Pfeiffer, seven potential bidders attended the Airport's pre-bid conference held on April 17, 2002. Subsequently, two firms submitted a bid: (a) Wells Fargo Bank with a MAG of $282,000 ($102,000 more than the Airport's required MAG of $180,000), and (b) Union Bank of California with a MAG of $250,000 ($70,000 more than the Airport's required MAG of $180,000). As previously noted, the MAG of $282,000 for the proposed lease is $77,766 or approximately 38.1 percent more than the MAG of

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[2] This amount of $250 does not include the costs to Wells Fargo Bank of purchasing and installing the ATMs themselves.

[3] According to Mr. David Pfeiffer of the Airport, Domestic Terminals ATM Lease B is for five ATM locations at the Airport. The required MAG was at least $95,000. Domestic Terminals ATM Lease B was awarded to the Union Bank of California which bid a MAG of $120,000 per year for five years, with two one-year options. According to Ms. Adrienne Go of the City Attorney's Office, Domestic Terminals ATM Lease B does not require Board of Supervisors approval because the projected revenue generated by the contract is less than $1,000,000 over the term of the contract. $1,000,000 in revenues is the threshold specified in Charter Section 9.118 for Board of Supervisors approval of revenue-generating contracts and leases.

$204,234 for the last year of the Airport's existing lease with Wells Fargo Bank, which expires on February 15, 2003.

2. In November of 1999, voters approved Proposition F prohibiting financial institutions from imposing surcharges on ATM customers. According to Ms. Adrienne Go of the City Attorney's Office, the proposed lease provides that if and when Proposition F is deemed by a court of competent jurisdiction to be applicable to Wells Fargo Bank's operations at the Airport, Wells Fargo Bank would have the right to terminate the lease.

Recommendation: Continue this item to the call of the Chair, as requested by the Airport.

EXHIBIT A
PREMISES

Approximately ten (10) ATM locations as indicated on the attached drawings.

1. Terminal 3, 2nd Level, across from Gates 70-71 (1)
2. Terminal 3, 1st Lev., Am. Airlines baggage claim, behind escalator (1)
3. Terminal Ex, United Airlines Express Terminal (1)
4. Terminal 1, 2nd Level, B/A C near Gate 42 (1)
5. Terminal 1, 1st Level, behind Carousel 7 (1)
6. Terminal 3, 2nd Level, B/A F before Gate 84 (1)
7. Terminal 3, 1st Level, near carousel 3 (1)
8. Rental Car Facility (1)
9. Terminal 1, 2nd Level, B/A C, Pre-Security (1)
10. Terminal 1, 2nd Level, B/A B across from Gate 22 (1)

Item 7 – File 02-1291

Department:	Airport
Item:	Resolution authorizing the Airport Commission to accept and expend a Federal Aviation Administration's Airport Improvement Program grant in the amount of $5,291,558.00 from the U.S. Department of Transportation Federal Aviation Administration. The proposed resolution would also approve Contract Modification Nos. 4 and 5 to Contract No. 4240.1 with URS Corporation for preparation of environmental impact studies for the Airport's proposed runway reconfiguration project, increasing the current contract amount of $11,800,000 by $7,941,558, including the subject grant of $5,291,558, and $2,650,000 from the Airport's FY 2002-2003 capital budget, for a total contract amount not to exceed $19,741,558.
Grant Amount:	$5,291,558
Grant Period:	June, 2002 through June, 2004 (two years).
Source of Funds:	U.S. Department of Transportation Federal Aviation Administration (FAA) Airport Improvement Program (AIP)
Required Match:	$1,763,853, funded from the Airport's FY 2002-2003 capital budget.
Indirect Costs:	Indirect costs have not been budgeted in order to maximize the funding available for contracted services.
Description:	The proposed resolution would authorize the Airport Commission to accept and expend a Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grant in the amount of $5,291,558. On April 18, 2002, the Airport was awarded an AIP grant in the amount of $5,291,558 for the Airport's runway reconfiguration project. The Airport Commission accepted the AIP grant funds on April 29, 2002. The proposed resolution would also approve Modification No. 4 in the amount of $2,650,000 from existing Airport

capital funds and Modification No. 5 in the amount of $5,291,558 from the proposed grant funds to be added to the existing contract with URS Corporation (formerly URS Greiner-Woodward Clyde) for the preparation of the Environmental Impact Statement (EIS) and Environmental Impact Report (EIR) for the Airport's proposed runway reconfiguration project. Attachment I, provided by the Airport, describes the Airport's runway reconfiguration project. The EIS/EIR process to be completed by URS Corporation (URS) was divided into three phases: (i) Phase 1 consists of project planning, coordination with Federal agencies, description of baseline environmental conditions, and preliminary environmental analysis; (ii) Phase 2 consists of completion of technical studies and coordination of public involvement necessary for the EIS/EIR, preparation of a draft EIS/EIR, and preliminary public review of the draft EIS/EIR; and (iii) Phase 3 consists of a detailed review of comments on the EIS/EIR, development of responses to comments, and preparation of the final EIS/EIR and supporting documents.

The original contract award to URS of $1,100,000, effective August 1, 1999, funded only the initial portion of Phase 1. The scope of work and schedule of payments have since been modified three times by the Airport Commission, adding the amounts of $5,200,000, $5,000,000, and $500,000, respectively, for a total contract addition of $10,700,000. The existing contract, as modified, is for a total not to exceed the amount of $11,800,000, and is for work including all of Phase 1 and a portion of Phase 2 (see Comment No. 1).

According to Mr. Greg Lyman of the Airport, total payments to date on the current URS contract amount of $11,800,000 are $11,798,150. Including this proposed subject grant of $5,291,558 and $2,650,00 from the Airport's FY 2002-2003 capital budget, the total authorized funds for the URS contract would be $19,741,558. Mr. Kevin Kone of the Airport reports that the source of funds for the contract payments of $11,798,150 was Commercial Paper proceeds used to fund the Airport's capital budget appropriations during FYs 1999-2000, 2000-2001 and 2001-2002. Mr. Kone further

reports that the $4.50 Passenger Facility Charge (PFC) can be used for eligible costs up to $113,358,139 for studies associated with potential runway reconfiguration and for payment of debt service associated with expenditures related to the potential runway reconfiguration project. The Finance Committee of the Board of Supervisors previously approved the release of $41,893,072 in PFC funds, including $11,149,353 in costs for the URS contract eligible for PFC reimbursement (File 02-0473).

Attachment II, provided by the Airport, provides details on the $19,741,558 source of funds for the URS contract, including (a) the original contract ($1,100,000), (b) the three previous contract modifications ($10,700,000) and (c) the proposed Modifications No. 4 and No. 5 ($7,941,558).

The proposed two contract modifications totaling $7,941,558 would increase the scope of work of the contract to include the completion of Phase 2, including the following:

- preparation of technical reports detailing analysis conducted under the existing contract;
- environmental analyses of hydrodynamics, sediment transport, water quality, biology, noise, air quality and surface transportation;
- preparation of technical reports summarizing these new analyses; and
- preparation of the Draft EIS and Draft EIR.

Modification No. 4 would increase the maximum amount of the contract by $2,650,000, to a new total contract amount of $14,450,000, to be initially funded from the Airport's FY 2002-2003 capital budget. Modification No. 5 would increase the maximum amount of the contract by an additional $5,291,558, to be initially funded from the Airport's future capital budgets and reimbursed by the subject grant funds. Together, the two proposed modifications would increase the maximum amount of the contract by $7,941,558, from $11,800,000 to $19,741,558. In addition, Modification No. 4 would extend the term of the agreement upon approval by the Board of Supervisors to June 30, 2005. Therefore, the contract would have a

total term from its original inception of August 1, 1999 of five years and eleven months. In addition, Modification No. 4 requires the contractor to comply with current City and Federal regulations and updates language to reflect the current titles of the parties involved.

The FAA's AIP reimburses Airports for up to 75 percent of the costs of eligible airport improvements and planning for such improvements, and requires grantee Airports to provide a 25 percent match. Therefore, the FAA grant of $5,291,558 requires the Airport to provide $1,763,853 in matching funds. According to Mr. Lyman, under the Airport's agreement with the FAA, these expenditures totaling $7,055,411 ($5,291,558 plus $1,763,853) must be used for grant-eligible expenses, but may be expended retroactively on related work completed under the existing contract. Of the $7,055,411 in grant funds and Airport matching funds budgeted, a total of $6,505,340 would be expended on grant-eligible tasks under Modifications No. 4 and No. 5. The remaining $550,071, which includes $412,553 in FAA grant money and $137,518 in Airport matching funds, would be expended retroactively on eligible costs included in the existing URS contract of $11,800,000.

Modification Nos. 4 and 5, totaling $7,941,558 less the grant eligible amount noted above of $6,505,340 result in a balance of $1,436,218, which, according to Mr. Lyman, is not eligible for FAA grant funds because (a) $1,110,400 would be expended on tasks solely related to the preparation of the EIR in compliance with State of California regulations, which the Federal grant will not pay for; and (b) $325,818 would be expended on tasks that were included in the modifications after the grant proposal had already been submitted and therefore, are not eligible for the grant funds. Mr. Lyman explains that the $325,818 in additional costs to complete Phase II reflects a combination of changes in the scope of work necessary to complete a satisfactory EIS/EIR as well as increases in projections of the time necessary to complete tasks already included in the scope of work necessary to complete the EIS/EIR. Mr. Lyman further explains that the additional $325,818 not included in the grant proposal will be expended on increased efforts for the analysis of

Surface Transportation ($60,000), Fisheries ($180,818), Recreation Assessment ($40,000), and California Environmental Quality Act (CEQA) analysis of a System Management Alternative ($45,000).

Commercial paper, referenced as a funding source in Attachment II, is a short-term financing instrument used by both corporations and municipal issuers as bridge financing until long-term financing is issued. It is used on an as-needed basis to meet short-term cash demands. Commercial Paper maturities range from one to 270 days. As shown in Attachment II, the Airport has budgeted Commercial Paper totaling $11,800,000 as the initial funding authority for the contract with URS.

Budget:

A summary of the URS contract costs, including the proposed Contract Modifications No. 4 and No. 5, is as follows:

Contract Modifications	Amount
Original contract	$1,100,000
Contract Modifications No. 1 – 3	10,700,000
Contract Modification No. 4	2,650,000
Contract Modification No. 5	5.291.558
Total	**$19,741,558**

Attachment III, provided by the Airport, contains the tasks and budget details for the proposed Modification Nos. 4 and 5 to the URS contract in the amount of $7,941,558.

Comments:

1. Under Charter Section 9.118(b), all contracts in excess of $10,000,000 or which have a term of ten years or more, except for construction contracts, are subject to Board of Supervisors approval. The contract with URS, including Modifications No. 1 through No. 3, totaled $11,800,00 for Phase I and a portion of Phase II, thereby exceeding the $10,000,000 threshold by $1,800,000. However, according to Ms. Gretchen Nicholson of the City Attorney's Office, neither Contract Modification No. 2 nor Contract Modifications No. 3 were submitted to the Board of Supervisors for approval. On May 31, 2002, the City Attorney issued Opinion No. 2002-03 pertaining to the application of Charter Section 9.118(b) stating that:

> The City Attorney's Office has received questions in the past concerning the application of Charter section 9.118(b) to construction-related professional services contracts. Although we have not previously issued formal advice on these questions and they have arisen infrequently, deputies have given varying advice to departments concerning this provision.

In Opinion No. 2002-03, the City Attorney advises, with respect to contracts pertaining to architectural, engineering, and construction management services, that Board of Supervisors approval is now required for contract modifications, if the modification causes the cumulative amount of the contract to exceed $10 million, or causes the term of the contract to exceed 10 years.

Therefore, according to Ms. Nicholson, the City Attorney has concluded that the proposed Contract Modifications No. 4 and No. 5 are subject to Board of Supervisors approval.

2. According to Mr. Kone, the original contract for completion of the EIR/EIS process for the runway reconfiguration project was awarded to URS through a competitive Request for Proposals (RFP) process. Four companies responded to the Airport's RFP, and the responses from these four companies were judged by a panel including representatives from the FAA, the Planning Department's Office of Environmental Review, and the Airport. Attachment IV, provided by the Airport, explains the selection process of URS regarding Modifications No. 4 and No. 5. Mr. Lyman advises that for the sake of continuity of analysis, the Airport believes it is important to award the work contained in the proposed contract modifications to URS, the contractor that has conducted all previous related work to date under the existing contract.

3. The proposed grant period is from June, 2002 through June, 2004. However, according to Mr. Lyman, the grant period will officially commence upon approval of the subject resolution by the Board of Supervisors. Mr. Lyman explains that the proposed grant is only now coming before the Board of Supervisors, approximately

two months after the grant period began, because after the City Attorney issued an Opinion that the subject contract was subject to Board of Supervisors approval, the Airport Commission decided to wait until the contract modifications had been negotiated, and submit acceptance of the grant and the contract modifications to the Board of Supervisors together. According to Mr. Kone, to date none of the subject AIP grant funds have been expended.

4. On June 24, 2002, the Board of Supervisors appropriated $11,235,148 for the Airport's runway reconfiguration project, of which the Board of Supervisors placed on reserve $5,000,000 (File 02-1068). The $5,000,000 in reserved funds cannot be expended by the Airport until such funds are released by the Finance Committee.

5. Attachment V to this report is the Department's Grant Information Form, including the Disability Access Checklist.

Recommendation: Approve the proposed resolution.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Harvey Rose DATE: August 29, 2002

FROM: Greg Lyman

RE: Description of the Runway Reconfiguration Project

The following responds to your request to briefly describe the project including the project purpose and the draft alternatives proposed for environmental review.

The runway reconfiguration project includes feasibility studies, planning studies, geotechnical studies, environmental studies, mitigation studies, benefit-cost analysis, cost and schedule control studies, analysis of no-build solutions to delays and capacity issues, and the development of off shore runway construction concepts for environmental studies. The purpose of the project is to reduce existing and projected flight delays and accommodate existing and anticipated aircraft, as well as projected flight demand, thereby achieving efficient airport operations under all weather conditions while addressing SFO's goal of reducing human exposure to noise.

The Draft Environmental Impact Statement and Draft Environmental Impact Report that are under development will evaluate as many as six alternatives that are under consideration. At this time, the draft alternatives under consideration include:

Three No-Build Alternatives

No-Project Alternative: SFO would neither physically change its existing runways to expand capacity nor modify management strategies to control demand. Instead, the market would continue to set the demand for flights at SFO. Those activities previously approved in SFO's Master Plan would be undertaken, including light rail system; refurbishment of Terminal 2; and rebuilding of Boarding Area B to modern seismic standards.

No Runway Construction Alternative 1: Under this draft alternative, the number of scheduled flights at SFO would be strictly limited by assigning each scheduled flight to a specific time slot, called "slot control". Slot control is proposed for the period of 7:00 AM to 10:00 PM; late night activity (10:00 PM to 7:00 AM) would be limited to no more than 1999 operation levels. Three draft variations on slot controls would be proposed for that 7:00 AM to 10:00 PM period:

Variation 1 (30 Slots): The arrival rate at SFO would be limited to 30 arrivals per hour between 7:00 AM to 10:00 PM.

- **Variation 2 (38 Slots with Aggressive Technology):** The arrival rate at SFO would be limited to 38 arrivals per hour between 7:00 AM to 10:00 PM. This variation assumes that technologies to improve the unfavorable weather capacity of SFO will be developed, certified, and implemented on a much more optimistic and aggressive schedule than currently forecast by the FAA and assumed for other Project alternatives.

Variation 3 (38 Slots with Aggressive Technology & No General Aviation or Cargo): The arrival rate at SFO would be limited to 38 arrivals per hour between 7:00 AM to 10:00 PM. Variation 3 assumes the same aggressive technology as Variation 2 would be in place and would expand the unfavorable weather capacity at SFO. This variation also assumes that no general aviation or cargo flights would be allotted slots to use SFO.

No Runway Construction Alternative 2: In accordance with Public Resources Code Division 13 Section 21151.10, this draft alternative would strictly limit the number of scheduled flights at both SFO and OAK through slot controls and would form a joint management authority (JMA) between SFO and OAK and connect the airports with high-speed transit options. Three draft variations would be proposed:

Variation 1 High-Speed Rail Connection: The variation would include construction of a high-speed rail connection between SFO and OAK and the arrival rate at SFO would be limited to 30 arrivals per hour and arrivals at OAK would be limited to 21 slots.

Variation 2 High-Speed Ferry Connection: The variation would include construction of a high-speed ferry connection between SFO and OAK and the arrival rate at SFO would be limited to 30 arrivals per hour and arrivals at OAK would be limited to 21 slots.

Variation 3 Existing Mass-Transit Connection: The variation would include analysis of existing mass transit connections between SFO and OAK and the arrival rate at SFO would be limited to 30 arrivals per hour and arrivals at OAK would be limited to 21 slots.

Three Runway Construction Alternatives: The three draft Runway Construction Alternatives attempt to address the Project's objectives by physically modifying the layout of the existing runways.

Runway Construction Alternative 1 (also known as A3): This draft alternative would involve the construction of (1) a new runway and associated taxiway and (2) runway safety areas (RSAs) on all existing runways.

Runway Construction Alternative 2 (also known as BX6): This draft alternative would involve the construction of (1) two new runways and associated taxiways and (2) runway safety areas (RSAs) on all existing runways.

Runway Construction Alternative 3 (also known as BXR): The proposed changes for this draft alternative are similar to those for Runway Construction Alternative 2 (BX6) one of the new runways would be longer and wider.

If you need any additional information, please feel free to contact the Airfield Development Bureau.

cc: Sarah Graham
Leo Fermin
Cathy Widener
Kevin Kone
Stuart Sunshine
Tom Kardos
Deb Ward
Melba Yee
Ralph Stewart

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Harvey Rose DATE: August 14, 2002

FROM: Greg Lyman

RE: Application of Grant Funding to Project Costs

The following responds to your request to document FAA's statement the Entitlement Grant will fund ongoing tasks. FAA Representatives stated the FAA, when it converted the application for an Airport Improvement Program Discretionary Grant into an Entitlement Grant Offer, considered and agreed the grant would cover work being completed under the existing contract (Modifications Nos. 2 and 3). The attached table further illustrates how the grant will be applied to ongoing and future work. Additionally, the table indicates the source of funds to pay the contractor and the source of revenues to replenish those funds.

Cc: Sarah Graham
Leo Fermin
Cathy Widener
Kevin Konc
Stuart Sunshine
Tom Kardos
Deb Ward
Melba Yee
Ralph Stewart

Summary of Funding and Revenue Associated with Contract 4240.1 for URS Corp. to Conduct Environmental Assessment of Runway Reconfigurations at SFO

		Funding Source		Revenue Source	
Contract Modification	Modification Value	Amount Funded by Commercial Paper (CP)	Amount to be Funded by Existing Airport Capital Funds	Amount Eligible to be Replenished by Passenger Facility Charges (PFC)	Amount Replenished by Airport Improvement Program (AIP) Entitlement Grant
Airport Commission Contract Award Value	$1,100,000	$1,100,000	$0	$1,100,000	$0
Airport Commission Modification No 1	$5,200,000	$5,200,000	$0	$5,200,000	$0
Airport Commission Modification No 2	$5,000,000	$5,000,000	$0	$4,962,447	$37,553
Airport Commission Modification No 3	$500,000	$500,000	$0	$125,000	$375,000
Airport Commission Modification No 4	$2,650,000	$0	$2,650,000	$662,500	$1,987,500
Airport Commission Modification No 5	$5,291,558	$0	$5,291,558	$2,400,053	$2,891,505
Totals	$19,741,558	$11,800,000	$7,941,558	$14,450,000	$5,291,558

Note: Replenishment of a portion of Modification Nos. 2 and 3 are a result of FAA offering an Entitlement Grant in response to the Airport's Discretionary Grant Application for Modification Nos. 4 and 5.

Detailed Cost Estimate for EIR and EIS from 11/1/01 through Draft and Comment Period (10/03)

Task	Total Cost	FAA Grant Type	Discretionary and PFC Eligible	Entitlement Eligible Existing Contract and Mods. 4 & 5	Entitlement Eligible Included In Existing Contract Budget	Increase After Grant Application	Approx Manhours	Ave. Rate
Chapter 1.0 Introduction	$25,000	D	$25,000	$0	$0		158	$158
Chapter 2.0 Project Objectives	$25,000	D	$25,000	$0	$0		158	$158
Chapter 3.0 Alternatives	$45,000	D	$45,000	$0	$0	$20,000	385	$117
Chapter 4.0 Environmental Setting, Impacts, and Mitigation								
Noise	$15,000	D	$15,000	$0	$0			
Land Use, Plans and Policies	$5,000	D	$5,000	$0	$0			
Air Quality	$10,000	D	$10,000	$0	$0			
Hydrology/Water Quality	$50,000	D	$50,000	$0	$0			
Recreation	$5,000	D	$5,000	$0	$0			
Cultural Resources	$5,000	D	$5,000	$0	$0			
Biological Resources	$50,000	D	$50,000	$0	$0			
Energy	$15,000	D	$15,000	$0	$0			
Visual Resources	$5,000	D	$5,000	$0	$0			
Solid Waste	$5,000	D	$5,000	$0	$0			
Hazardous Waste	$5,000	D	$5,000	$0	$0			
Public Services and Utilities	$30,000	D	$30,000	$0	$0	$25,000		
Surface Transportation	$10,000	D	$10,000	$0	$0			
Geology/Seismicity	$5,000	D	$5,000	$0	$0			
Chapter 4.0 Total	$215,000						1369	$157
Chapter 5.0 Habitat Mitigation	$22,000	D	$22,000	$0	$0		142	$155
Chapter 6.0 Cumulative Impacts, Unavoidable Impacts, Growth Inducement	$15,500	D	$15,500	$0	$0		125	$124
Chapter 7.0 Coordination and Public Involvement	$58,000	D	$58,000	$0	$0		440	$132
Chapter 8.0 Preoarers and Distribution List	$9,000	D	$9,000	$0	$0		74	$122
Chapter 9.0 Bibliography	$5,500	D	$5,500	$0	$0		55	$100
Chapter 10.0 List of Abbreviations, Acronyms and Glossary	$5,000	D	$5,000	$0	$0		50	$100
Chapter 11.0 Index	$15,400	D	$15,400	$0	$0		160	$96
Draft EIR Publication								
Administrative Draft EIR	$50,000	D	$50,000	$0	$0			
Camera Ready Draft EIR	$100,000	D	$100,000	$0	$0			
Draft EIR	$150,000	D	$150,000	$0	$0			
Draft EIR Publication Total	$300,000						390	$120 *
Project Management	$415,000	D	$415,000	$0	$0		3050	$136
	$1,155,400		$1,155,400	$0	$0	$45,000	6556	$176
EIR Total Cost	$7,941,558		$1,155,400	$7,758,608	$972,450	$325,818	56,793	$140

Post $11.8 million contract	$7,941,558
Amount of increase after Grant Application	$325,818
Total Entitlement Eligible	$7,477,790
Contract Mod. 4 and 5 Entitlement Eligible	$6,505,340
Grant Submission Amount	$7,055,410
FAA 75%	$5,291,558
FAA Portion to Mod 4 and 5	$4,879,005
FAA Portion to Existing Contract	$412,553
SFO Match 25%	$1,763,853
SFO Match to Mod 4 and 5	$1,626,335
SFO Match to Exisitng Contract	$137,518
Modification No. 5 Total	$2,650,000
Modification No. 4 Total	$5,291,558

Source: Airport Commission

Print Date: 8/20/02

Attachment IV

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Harvey Rose DATE: August 14, 2002

FROM: Greg Lyman

RE: Selection of URS for Modifications Nos. 4 and 5

The following responds to your request to document the third party relationship between the FAA and the City and how that relationship affects the selection of URS for Modifications Nos. 4 and 5 and subsequent modifications, as necessary.

The contract in question is "owned" by the Federal Aviation Administration (FAA). The Airport Commission has entered into a Memorandum of Understanding (MOU) with the FAA and OER regarding the contract. The MOU details the specific conditions with regard to the manner in which each of the agencies (the FAA, OER and SFO) will interact with URS and how the scope of work, deliverables and costs will be determined and directed.

This is the standard arrangement for all contracts with environmental consultants who are responsible for conducting the studies and producing the reports and documents that will go into the development of an Environmental Impact Statement. In actuality it is required by federal law that the contracts be structured in this manner. As such, the FAA participated in, and was responsible for the selection of the consultant for this contract. The selection was based on responses to a Request for Qualifications process in which there were four (4) respondents. After conducting interviews with all of the respondents, the FAA selected URS Corporation (formerly URS Greiner) and directed SFO to administer said contract.

Cc: Sarah Graham
Leo Fermin
Cathy Widener
Kevin Kone
Stuart Sunshine
Tom Kardos
Deb Ward
Melba Yee
Ralph Stewart

File Number: ____________________

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Accept and Expend Grant Funds under the Airport Improvement Program (AIP), AIP Project No. 3-06-0221-19

2. Department: Airport Commission

3. Contact Person: Cathy Widener Telephone: (650) 821-5023

4. Grant Approval Status (check one):

   [X] Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: $5,291,558.00

6a. Matching Funds Required: $1,763,853.00
 b. Source(s) of matching funds (if applicable):
 AIP Project No. 3-06-0221-19, $2,324,182 in Capital Improvement Project Funds. Funds provided ($2,324,182) exceed required matching funds ($1,763,853) because some project costs are not eligible for reimbursement under this grant program. Total project costs are projected to be $7,615,740.

7a. Grant Source Agency: Federal Aviation Administration
 b. Grant Pass-Through Agency (if applicable): N/A

8. Proposed Grant Project Summary:
 Please Refer to Page 12 of 25 in the Grant Application, Attachment F

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start Date: June, 2002 End Date: June, 2004

10. Number of new positions created and funded: 0

11. If new positions are created, explain the disposition of employees once the grant ends? N/A

12a. Amount budgeted for contractual services:
$7,615,740.00

b. Will contractual services be put out to bid?
Contracted services are reimbursable. This grant reimburses City for services rendered on a contract competitively bid in 1999.

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements?
Contract services are furthering department's DBE requirement. MBE/WBE goals do not apply to FAA contracts.

d. Is this likely to be a one-time or ongoing request for contracting out?
Ongoing

13a. Does the budget include indirect costs? [ ] Yes [X] No

b1. If yes, How much? N/A
b2. How was the amount calculated? N/A

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency
[ ] To maximize use of grants funds on direct services
[X] Other (please explain):
According to the Lease and Use Agreement between the City of San Francisco and major airlines using San Francisco International Airport, the Annual Service Payment made to the City shall constitute full satisfaction of all obligations of the Airport. Please refer to Attachment I.

14. Any other significant grant requirements or comments: N/A

**** Disability Access Checklist****

15. This Grant is intended for activities at (check all that apply):

[X] Existing Site(s) [X] Existing Structure(s) [ ] Existing Program(s) or Service(s)

[ ] Rehabilitated Site(s) [ ] Rehabilitated Structures(s) [ ] New Program(s) or Service(s)

[X] New Site(s) [X] New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability has reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability
Reviewer:____________________________________ (Name)

Date Reviewed: __________________________________

Department Approval:

RONALD J. FONG ADA PROGRAM MANAGER

(Name) (Title)

____

(Signature)

Item 8 – File 02-1419

Department: Department of Human Resources (DHR)

Items: Ordinance adopting and implementing Amendment No. 1 to the 2001-2003 Collective Bargaining Agreement between the San Francisco Police Officers' Association (POA) and the City and County of San Francisco by amending Sections 13 (A) and (F) to incorporate the parties' agreement to clarify their intent with regard to compensation for canine officers and to correct clerical errors. These amendments are retroactive to July 1, 2001.

Description: The proposed ordinance would amend the existing Memorandum of Understanding (MOU) between the San Francisco Police Officers' Association (POA) and the City and County of San Francisco to clarify current practice for the compensation and payment of expenses for members of the POA who are assigned to canine duty (i.e., Police Officers who train, care for and work with police dogs) and to correct for clerical errors in the provisions for compensation for members of the POA who are assigned to canine duty at the Airport Bureau. The existing two year MOU, which is effective from July 1, 2001 through June 30, 2003, was approved by the Board of Supervisors in August of 2001.

The proposed Amendment No. 1 to the MOU Section 13 (A) would clarify that all POA members assigned to canine duty, including those members assigned to the Airport Bureau, are to receive compensation, in addition to base pay, equal to five percent of base wages for the off duty time expended in the care and maintenance of the assigned canine, <u>including</u> feeding, grooming, exercising and cleaning up after the canine. While five percent of base wages is being paid currently to Police Officers not working at the Airport, Ms. Villagomez reports that, due to a clerical error, Police Department members of the POA assigned to the canine unit at the Airport receive a fixed $105 biweekly pay premium instead of additional compensation based on five percent of base wages.

Amendment No. 1 to the MOU would also clarify that the additional compensation for POA members assigned to canine duty is not to be considered base pay, premium pay, nor included in retirement benefit calculations or contributions. According to Ms. Alice Villagomez of DHR, Amendment No. 1 would not result in any change to current practices for calculating additional compensation under the existing MOU for Police Officers assigned to canine duty who do not work at the Airport.

As stated above, under the current MOU, POA members assigned to the canine unit at the Airport receive a fixed $105 biweekly pay premium rather than the additional compensation based on five percent of the base wage that other POA members assigned to canine duty receive. Under the proposed Amendment No. 1, Section 13 (F) would be deleted to clarify that Police Officers assigned to the Airport who perform canine duties would receive compensation, in addition to base pay, equal to five percent of base wages for the off duty time expended in the care and maintenance of the assigned canine. Such additional compensation would be identical to the compensation amounts paid to all other Police Officers, assigned to canine duties who are not assigned to the Airport. Ms. Villagomez reports that the provision that POA members assigned to the Airport who perform canine duties would receive five percent of base wages as additional compensation rather than a fixed $105 biweekly pay premium should have been included in the POA MOU previously approved by the Board of Supervisors, but due to a clerical error, the correct additional compensation provision for Police Officers assigned the Airport Bureau Canine Unit was inadvertently omitted from the MOU. Therefore, since July 1, 2001, POA members assigned to canine duty at the Airport have received $105 biweekly rather than the correct amount of five percent of base wages biweekly, according to Ms. Villagomez (see Comment No. 2).

The proposed Amendment No. 1 to the MOU also states that in addition to the additional

compensation, "the City will provide all canine food, supplies and all other expenses directly related to the care of the assigned canine." The proposed Amendment No. 1 further states that the City will provide each member assigned to the Airport Bureau who performs canine duties with a vehicle for transportation of the dogs from home to work and back. Ms. Villagomez states that the City currently provides canine food and supplies and other expenses directly related to the care of the assigned canine to members assigned to canine duty and a vehicle for transportation of the dogs from home to work and back for members assigned to the Airport who perform canine duties under the existing MOU. Therefore, this provision would simply codify existing practice.

Comments:

1. As noted above, since July 1, 2001, Police Officers assigned to canine duty at the Airport have received $105 biweekly rather than the correct amount of five percent of the base wage biweekly. Mr. Phil Ginsburg of the City Attorney's Office advises that members assigned to canine duties at the Airport Bureau are entitled to retroactive pay equal to the difference between $105 biweekly and five percent of the base wage for the period from July 1, 2001 to the date of approval of this proposed Amendment No. 1.

2. Ms. Jill Sprague of the City Attorney's Office states that seven current and former members of the Airport Bureau (three of the plaintiffs are no longer assigned to the Airport Bureau Canine Unit) assigned to canine duty have filed a claim against the City that they were not being properly compensated for the off-duty time spent caring for assigned canines under the current MOU. Ms. Sprague further reports that the claim, which is based on the Fair Labor Standards Act, was settled on September 6, 2002 and that a Settlement Agreement will be submitted for approval to the Board of Supervisors at a later date. The settlement will result in $250,000 in back pay and damages being paid by the City to the seven plaintiffs in the claim. Ms. Sprague states that the settlement

encompasses all claims for compensation for off-duty care and maintenance of the assigned canine, including any claim for retroactive pay by the four plaintiff members who are currently employed at the Airport Bureau Canine Unit. However, the four plaintiff members who remain employed at the Airport Bureau will begin receiving five percent of base wages as additional compensation for off-duty canine care and maintenance as will all other members assigned to canine duties at the Airport Bureau upon approval of the Board of Supervisors of this subject proposed ordinance.

3. As noted above, Ms. Villagomez reports that under the existing MOU the City provides all canine food, supplies and all other expenses directly related to the care of the assigned canine to members assigned to canine duty. There is a dispensary for dog food and supplies located near the Airport. Members assigned to the Airport who perform canine duty can obtain all supplies at the dispensary. Ms. Villagomez states that the proposed Amendment No. 1 is intended to clarify that the City will provide all canine food, supplies and all other directly related expenses including those not obtained at the Airport dispensary and for those members assigned to canine duty throughout the San Francisco Police Department. As stated above, Amendment No. 1 would add the provision that "the City will provide all canine food, supplies and all other expenses directly related to the care of the assigned canine," which is consistent with existing practice. Mr. Ginsburg advises that a pending amendment (Amendment No. 2) to the MOU between the City and the POA will be submitted at a future time to the Board of Supervisors to clarify that the City will provide only those expenses that are "reasonable and necessary."

4. As shown in the Attachment, provided by the Controller's Office, the proposed Amendment No. 1 to the MOU between the City and POA is estimated to cost the City $21,519 in FY 2002-2003 for the increase in additional compensation for

members assigned to canine duties at the Airport Bureau from the flat amount of $105 biweekly to five percent of the base wage biweekly. The Controller's Office estimates that the total increased costs to the City of $21,519 include: (a) $15,120 for Canine Compensation equal to five percent of the base wage in FY 2002-2003 for all members assigned to canine duties at the Airport Bureau; (b) $6,070 for retroactive back pay for eight members assigned to canine duties at the Airport Bureau for FY 2001-2002; and (c) $328 for fringe benefits. The amount of $21,519 does not include retroactive back pay and damages to be paid to the seven member plaintiffs involved with the proposed Settlement Agreement which will be submitted in separate legislation to the Board of Supervisors for future approval.

Recommendation: Approve the proposed ordinance.

CITY AND COUNTY OF SAN FRANCISCO — OFFICE OF THE CONTROLLER

Edward Harrington
Controller

Monique Zmuda
Deputy Controller

September 17, 2002

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: File Number 021419
Amendment No. 1 to Memoranda of Understanding (MOU) FY 2001 – 2003 with San Francisco Police Officers' Association (SFPOA)

Dear Ms. Young:

In accordance with Ordinance 92-94, I am submitting a cost analysis of an amendment to the FY 2001 – 2003 MOU between the City and County of San Francisco and San Francisco Police Officers' Association (SFPOA). Amendment No. 1 covers the period of the MOU, July 1, 2001 through June 30, 2003, and affects 23 budgeted positions currently receiving supplemental compensation as canine officers, with an overall salary base of approximately $1.8 million.

Amendment No. 1 clarifies the compensation for canine officers in order to be consistent with the Federal Fair Labor Standard's Act (FSLA) and corrects clerical errors. Under the current MOU, non-Airport canine officers receive additional bi-weekly compensation equal to five-percent of their base wages as compensation for off duty time authorized and expended for canine related expenses. Due to a clerical error, Airport canine officers currently receive a flat $105 biweekly supplement instead of five-percent of their base wages. The amendment incorporates the intent of the parties during the contract negotiations to provide all canine officers with compensation equal to five-percent of their base wages for off duty time expended in the care and maintenance of canines. It also clarifies the definition of the off duty time to include feeding, grooming, exercising and cleaning up after the canine. Pursuant to the FSLA, the amendment further clarifies that the minimum standard for calculating the pay shall be approximately eight hours of overtime per week paid at one and one-half times the hourly federal minimum wage rate.

Since the non-Airport canine officers are already receiving this rate of pay, the amendment will only affect Airport canine officers. Based on our analysis, this provision will result in an incremental cost of approximately $21,519 in FY 2002-2003 including the retroactive pay for eight Airport canine officers. The amendment will result in cost increases of approximately 1.18% above base salary in FY 2002-2003. Please see Attachment A for specific cost estimates.

In addition to the special overtime pay provision for time associated with the ordinary and extraordinary care of the canine, the amendment clarifies that this pay is separate and distinct from the reasonable and necessary expenses associated with the care of the canine. Under the current MOU, the City is responsible for all canine food, supplies and all other expenses directly related to the care of the dog. Airport canine officers are also provided with vehicles for transportation of canines from their home to work and back. Since these expenses are already borne by the City, we have not estimated a cost for these provisions.

415-554-7500 City Hall • 1 Dr. Carlton B. Goodlett Place • Room 316 • San Francisco CA 94102-1694 FAX 415-554-7

If you have any additional questions or concerns please contact me at 554-7500 or Pamela Levin of my staff at 554-7554.

Sincerely,

Pamela Levin for

Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

Attachment A
San Francisco Police Officers' Association - Amendment No. 1 to FY 2001-2003 MOU
Estimated Costs FY 2002-2003
Controller's Office

Annual Costs/(Savings)	FY 2002-2003	
Premiums		
Canine Compensation of 5% for 8 hours weekly	$	15,120
FY 2001-2002 retroactive pay for 8 canine officers	$	6,070
Wage-Related Fringe Increases	$	328
Total Estimated Incremental Costs	$	21,519
Incremental Cost % of Salary Base		1.18%

Item 9 - File 02-1544

Department:	Fire Department Department of Public Works
Item:	Hearing to consider the release of reserved funds in the amount of $2,071,417 to fund the installation of five motorized gate valves in the City's Auxiliary Water Supply System (AWSS).
Amount:	$2,071,417
Source of Funds:	1986 Proposition A Fire Protection Systems Improvement General Obligation Bond interest earnings, previously appropriated and placed on reserve by the Board of Supervisors.

Description:

This request in the amount of $2,071,417 for the release of previously appropriated and reserved bond interest income monies would be expended for contractual services for the installation of five motorized gate valves used by the City's Auxiliary Water Supply System (AWSS). The AWSS is a system of reservoirs, cisterns, pipelines, pump stations, valves, and fireboats, comprising the source of water supply for fire protection in emergency situations.

In November of 1986 the voters of San Francisco approved Proposition A, Fire Protection Systems Improvement General Obligation Bonds in the amount of $46.2 million to be used for the City's AWSS. The City sold a total of $46.2 million in Fire Protection Systems Improvement General Obligation Bonds ($31 million in 1987 and $15.2 million in 1991) to finance improvements to the City's AWSS. According to Ms. Christine Ragan of the Fire Department, the amount of the bond proceeds have since been fully appropriated by the Board of Supervisors and expended for AWSS capital improvements.

In March of 1996, the Board of Supervisors approved a supplemental appropriation ordinance for $3,907,900 (File 101-95-61) from accrued interest earnings from the Fire Protection Systems Improvement Bonds for four categories of capital improvement projects: (1) repair and

improvement of the Fireboat Phoenix, (2) implementation of motorized AWSS control valves, (3) repairs to the AWSS water storage tank, and (4) emergency repairs of AWSS facilities. The Board of Supervisors placed $3,269,850 of the total appropriation of $3,907,900 on reserve (Ordinance No. 127-96) pending the submission of budget details. To date, a total of $1,167,942 of the $3,269,850 has been released, including $478,250 for the repair and improvement of the Fireboat Phoenix, $450,125 for emergency repairs to AWSS facilities, and $239,567 for repairs to the AWSS water storage tank (see Comment No. 1), resulting in a balance of $2,101,908 remaining on reserve. Approval of this subject request in the amount of $2,071,417 would leave a remaining balance of $30,491.

This proposed expenditure of $2,071,417 for the installation of five motorized gate valves would be completed by an outside contractor at the following locations: (a) the southeast corner of Van Ness & Bay Street; (b) the southeast corner of Sacramento & Kearny Streets; (c) the southeast corner of 17th & Dolores Streets; (d) the southeast corner of 7th Avenue & Irving Street; and (e) the southeast corner of Sutter & Kearny Streets. Currently the five locations have valves that must be manually opened and closed to control water pressure in the City's AWSS. Presently, the Fire Department must manually open or close a gate valve, by having Fire Department personnel access the gate valve, at each of the applicable site locations. The proposed installation of motorized gate valves would allow the Fire Department to remotely open and close the valves by sending a signal to a sensor attached to the motorized gate valves to allow for more or less water pressure in the City's AWSS as needed.

Mr. Saed Toloui of DPW, Project Manager for the installation of the motorized gate valves, reports that DPW has not yet selected a contractor for the installation of the five motorized gate valves in the City's AWSS. According to Mr. Toloui, a contractor will be selected on the basis of a competitive bidding process to be conducted by DPW.

Budget: A summary budget for the proposed installation of the five motorized gate valves is as follows:

Location	Amount
Van Ness & Bay St.	$462,773
Sacramento & Kearny St.	465,031
17th St. & Dolores St.	474,060
7th Ave. & Irving St.	247,414
Sutter St. & Kearny St.	422,139
Total	$2,071,417

Attachment I, provided by the Fire Department, provides estimated budget details for contractual services and DPW project and contract management costs for the proposed release of reserved funds in the amount of $2,071,417.

Comments: 1. Attachment II is a memorandum provided by Chief Joseph Asaro of the Fire Department explaining why the funds from this subject request of $2,071,417, which were appropriated in 1996, were not requested to be released prior to this time.

2. Mr. Toloui states that the proposed budget amounts for the installation of five motorized gate valves are estimates based on recent contracts for similar work.

3. The Board of Supervisors previously placed the subject requested funds on reserve pending a competitive bidding process for the installation of the five motorized gate valves and other related work. The purpose of the Board of Supervisors reserve was for the Department to report back to the Board of Supervisors as to the results of the competitive bid process, including selection of the contractor and bid amounts. Ms. Tina Olson of DPW concurs with the Budget Analyst's observation as to the purpose of the Board of Supervisors reserve. However, Ms. Olson requests that at this time $32,417 of the requested $2,071,417 be released. Attachment III, provided by Ms. Olson contains an explanation and the budget details for the amount of $32,417 being requested at this time. Therefore, $2,039,000 ($2,071,417 less $32,417) should continue to be reserved pending the submission of the results of the competitive bidding

process to the Board of Supervisors, including the identification of the contractor and bid amounts related to the motorized gate valve project.

Recommendations:

1. Release $32,417 of the requested $2,071,417 in accordance with the request of the Department of Public Works, as discussed in Comment No. 3.

2. Continue to reserve $2,039,000 ($2,071,417 less $32,417), in accordance with Comment No. 3.

SUPPLEMENTAL APPROPRIATION SUMMARY

TITLE OF REQUEST:

AWSS Motorized Gate Valves, Various Locations

AMOUNT OF REQUEST:

$ 2,071,417

SOURCE OF FUNDS:

1986 Fire Protection Bonds

NEED AND PURPOSE:

In November of 1986, the voters of San Francisco approved Proposition "A" for the issuance of $46.2 million in Fire Protection Systems Improvement General Obligation Bonds. These bonds were to finance improvements to the City's Auxiliary Water Supply System (AWSS) for fire protection. The AWSS is a system of reservoirs, cisterns, pipelines, pump stations and fireboats. The City sold $31 million of these bonds in 1987 and $15.2 million in 1991. All the $46.2 million bond funds have been expended to improve the AWSS. In March of 1996, the Board of Supervisors approved a supplemental appropriation ordinance for $3.9 million from the bond accrued interest for additional AWSS improvement projects.

The Fire Department wishes to appropriate a portion of the remaining bond sale interest, in the amount of $ 2,071,417 million, for five (5) AWSS projects as follows.

PROJECT DESCRIPTION:

1. **Install a motorized gate valve at location #15 the S.E. corner of Van Ness and Bay St.**

   The installation of a motorized gate valve at this location will expand the AWSS ability to control this critical valve from a remote location in the case of a catastrophic event. This valve is a division gate valve separating the upper and lower zones of the AWSS. This valve is essential to control the flows and pressures and preserve the integrity of the AWSS system in the event of a main failure.

Mobilization	: $ 13,070
Trench Shoring	: $ 17,250
Mechanical	: $ 66,700
Structural	: $ 44,850
Electrical	: $ 26,450
Controls Work	: $ 80,500
Miscellaneous	: $ 25,640
Allowances	: $ 76,126
Base Construction	: $ 350,586

Contingencies @10%	: $ 35,059
Subtotal	: $ 385,644
Construction Mgmt @13%	: $ 50,134
Contract Prep. And Support @7%	: $ 26,995
Total for Location #15	: $ 462,773

Negative Impact. If This Request Is Denied:

If this request is denied, the Fire Department would not have the ability to remotely control AWSS gate valves during a catastrophic event. If AWSS personnel can not physically reach the valve with the proper equipment to control the flow of water disastrous flooding may result and the AWSS system would not be able to support aggressive fire fighting operations because of a lack of water.

2. **Install a motorized gate valve at location #18 the S.E. corner of Sacramento and Kearney St.**

The installation of a motorized gate valve at this location will expand the AWSS ability to control this critical valve from a remote location in the case of a catastrophic event. This valve is an open control valve to infirm area #1. This valve is essential to control the flows and pressures to infirm area #1 and would preserve the integrity of the AWSS system in the event of a main failure.

Mobilization	: $ 13,133
Trench Shoring	: $ 12,650
Mechanical	: $ 60,950
Structural	: $ 57,500
Electrical	: $ 25,300
Controls Work	: $ 80,500
Miscellaneous	: $ 25,765
Allowances	: $ 76,498
Base Construction	: $ 352,296
Contingencies @10%	: $ 35,230
Subtotal	: $ 387,525
Construction Mgmt @13%	: $ 50,378
Contract Prep. And Support @7%	: $ 27,127
Total for Location #18	: $ 465,031

Negative Impact, If This Request Is Denied:

If this request is denied, the Fire Department would not have the ability to remotely control AWSS gate valves during a catastrophic event. If AWSS personnel can not physically reach the valve with the proper equipment to control the flow of water disastrous flooding may result and the AWSS system would not be able to support aggressive fire fighting operations because of a lack of water.

3. **Install a motorized gate valve at location #50 the S.E. corner of 17th and Dolores St.**

The installation of a motorized gate valve at this location will expand the AWSS ability to control this critical valve from a remote location in the case of a catastrophic event. This valve is an open control valve to infirm area #6. This valve is essential to control the flows and pressures in infirm area #6 and would preserve the integrity of the AWSS system in the event of a main failure.

Mobilization	:	$ 13,388
Trench Shoring	:	$ 12,650
Mechanical	:	$ 77,050
Structural	:	$ 43,700
Electrical	:	$ 25,300
Controls Work	:	$ 82,800
Miscellaneous	:	$ 26,265
Allowances	:	$ 77,983
Base Construction	:	$ 359,137
Contingencies @10%	:	$ 35,914
Subtotal	:	$ 395,050
Construction Mgmt @13%	:	$ 51,357
Contract Prep. And Support @7%	:	$ 27,654
Total for Location #50	:	$ 474,060

Negative Impact, If This Request Is Denied:

If this request is denied, the Fire Department would not have the ability to remotely control AWSS gate valves during a catastrophic event. If AWSS personnel can not physically reach the valve with the proper equipment to control the flow of water disastrous flooding may result and the AWSS system would not be able to support aggressive fire fighting operations because of a lack of water.

4. **Install a motorized gate valve at location #71 the S.E. corner of 7th Avenue and Irving St.**

The installation of a motorized gate valve at this location will expand the AWSS ability to control this critical valve from a remote location in the case of a catastrophic event. This valve is a division gate valve between the Ashbury pressure zone and the Twin Peaks pressure zone. This valve is essential to control the flows and pressures between these two zones and would preserve the integrity of the AWSS system in the event of a main failure.

Mobilization	: $ 6,987
Trench Shoring	: $ 12,650
Mechanical	: $ 9,890
Electrical	: $ 23,000
Controls Work	: $ 80,500
Miscellaneous	: $ 13,708
Allowances	: $ 40,700
Base Construction	: $ 187,435
Contingencies @10%	: $ 18,744
Subtotal	: $ 206,179
Construction Mgmt @13%	: $ 26,803
Contract Prep. And Support @7%	: $ 14,433
Total for Location #71	: $ 247,414

Negative Impact, If This Request Is Denied:

If this request is denied, the Fire Department would not have the ability to remotely control AWSS gate valves during a catastrophic event. If AWSS personnel can not physically reach the valve with the proper equipment to control the flow of water disastrous flooding may result and the AWSS system would not be able to support aggressive fire fighting operations because of a lack of water.

5. **Install a motorized gate valve at location #89 the S.E. corner of Sutter and Kearney St.17th**

The installation of a motorized gate valve at this location will expand the AWSS ability to control this critical valve from a remote location in the case of a catastrophic event. This valve is a secondary (feeder) valve to infirm area #1. This valve is essential to control the flows and pressures into infirm area #1 and would preserve the integrity of the AWSS system in the event of a main failure.

Mobilization	: $ 11,922
Trench Shoring	: $ 11,500
Mechanical	: $ 52,900
Structural	: $ 43,700
Electrical	: $ 26,450
Controls Work	: $ 80,500
Miscellaneous	: $ 23,389

Allowances	:	$ 69,442
Base Construction	:	$ 319,803
Contingencies @10%	:	$ 31,980
Subtotal	:	$ 351,783
Construction Mgmt @13%	:	$ 45,732
Contract Prep. And Support @7%	:	$ 24,625
Total for Location #89	:	$ 422,139

Negative Impact, If This Request Is Denied:

If this request is denied, the Fire Department would not have the ability to remotely control AWSS gate valves during a catastrophic event. If AWSS personnel can not physically reach the valve with the proper equipment to control the flow of water into this infirm area, disastrous flooding may result and the AWSS system would not be able to support aggressive fire fighting operations because of a lack of water.

Attachment II

CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO FIRE DEPARTMENT

Mario H. Treviño, Chief of Department
Bernie F. Lee, Acting Deputy Chief of Operations
Joseph C. Asaro, Deputy Chief of Administration

698 SECOND STREET
SAN FRANCISCO, CA 94107-2015
Telephone: (415) 558-3400

September 19, 2002

Ms. Sarah Graham
Budget Analyst Office
1390 Market Street
San Francisco, CA 94102

Re: Release of Reserves for Motorized Valves

Dear Ms. Graham:

Around 1997/98, the Department of Public Works and the Fire Department received bids for the motorized valve projects but the costs exceeded both the engineer's estimates and the funding allocated from the 1986 Fire Protection Bonds. As such, DPW with the Fire Department redesigned the projects to include some valves as alternative bid items. At that time, there was a high turnover in the mechanical engineering section at DPW causing delays in the design of this project.

In addition, the specification of the project changed which impacted the MUNI bus line such that the electrical buses would have to be replaced with diesel buses. This cost would need to be borne by the project.

DPW revisited the project and revised the design, which eliminated any impact to the MUNI bus lines but still met the needs of the Fire Department. DPW with the Fire Department recreated the bid alternatives in order to ensure the base bid was fundable.

Sincerely,

MARIO H. TREVIÑO
Chief of Department

By: Joseph C. Asaro
Deputy Chief of Administration

DPW requires $32,417 to cover its costs to: (1) prepare contract documents, (2) issue bids, (3) rceive and review bids,(4)award the constrution contract and (5) release remaining bond funds				
	Classification	**$/hr**	**Estimated HRs**	**Extension**
5254	Associate Mechanical Engineer	$86	60	$5,160
5241	Mechanical Engineer	$118	30	$3,540
5258	Senior Mechanical Engineer	$137	10	$1,370
5174	Administrative Engineer	$127	20	$2,540
5364	Engineering Assoc.	$74	20	$1,480
1426	Senior Clerk	$58	20	$1,160
5229	Assoc. Traffic Engineer	$86	10	$860
5241	Traffic Engineer	$118	20	$2,360
5211	Senior Traffic Engineer	$137	5	$685
5504	Project Manager II	$127	40	$5,080
-------	Reproduction and misc. direct costs	---------	-------	$8,182
				$32,417

Source: DPW

Item 10 - File 02-1314

Department: Department of Consumer Assurance

Item: Resolution approving the latest revised fees which the Department of Consumer Assurance is permitted to charge under the California Business and Professions Code for testing of weighing and measuring devices when a test is voluntarily requested by the owner, or when a weighing and measuring device fails its initial mandatory test and therefore requires retesting.

Description: In accordance with the California Business and Professions Code Section 12210 and San Francisco Administrative Code Section 1.15.1, the Department of Consumer Assurance is authorized to charge fees for the testing of weighing and measuring devices under two circumstances: (a) when the test is voluntarily requested by the owner of a device, whether the device is used commercially or non-commercially[1], and (b) when the owner of a commercial device fails a mandatory initial test and therefore requires a retest.[2] The schedule of hourly fees is revised periodically by the California Department of Food and Agriculture.

When the California Department of Food and Agriculture revises the schedule of fees, the Department of Consumer Assurance is required to forward the revised schedule of fees to the Board of Supervisors for ratification before the

---

[1] Mr. Edward Olsen of the City Attorney's Office advises that a weighing or measuring device used for "commercial" purposes includes "the determination of the weight, measure, or count of any commodity or thing which is sold on the basis of weight, measure, or count; or the determination of the weight, measure, or count of any commodity or thing upon which determination of a charge for service is based" (California Business and Professions Code Section 12500(e). Mr. Olsen advises that "non-commercial" weighing and measuring devices are those devices which do not conform with the above description. According to Mr. Sid Baker of the Department of Consumer Assurance, such fees pertain to the testing of weighing and measuring devices for the following businesses and equipment: (a) delicatessen, grocery, postal, doctors', school, and scrap scales, (b) service station gasoline, taxicab, electric, and cordage meters, (c) odometers, and (d) parking revenue control equipment.

[2] In order to recover the costs of the initial mandatory tests of commercial weighing and measuring devices, California Business and Professions Code Section 12240 permits the Board of Supervisors, by ordinance, to establish an annual device registration fee payable by the owners of commercial weighing and measuring devices. Pursuant to this authority, the Department of Consumer Assurance is required to obtain Board of Supervisors approval for establishing the annual device registration fee payable by owners of commercial weighing and measuring devices.

Department can charge the latest State-authorized revised fees. This proposed resolution would authorize the Department of Consumer Assurance to charge the applicable fees which were revised by the State as of September 1, 1999.

The Department of Consumer Assurance is currently charging fees which were set by the California Department of Food and Agriculture on September 24, 1991. This schedule of fees was ratified by the Board of Supervisors on November 11, 1991 (Resolution 979-91). On August 10, 1999, the Director of the California Department of Food and Agriculture advised counties of the latest revised schedule of testing fees effective as of September 1, 1999.

Approval of the subject resolution by the Board of Supervisors would authorize the Department of Consumer Assurance to charge the 1999 State-authorized latest revised schedule of fees.

Comments:

1. Attachment I, provided by Mr. Edward Olsen of the City Attorney's Office, provides additional background information regarding this proposed legislation.

2. If the subject resolution is approved by the Board of Supervisors, the Department's existing State-authorized 1991 fee structure, would be replaced by the State's latest authorized revised schedule of fees which became effective as of September 1, 1999. Attachment II, provided by Mr. Sid Baker of the Department of Consumer Assurance, summarizes the existing fees, the proposed revised fees, and the hourly rate and percentage increases.

3. The applicable tests and retests for weighing and measuring devices generated $2,310 in fee revenues for the Department during calendar year 2001 based on the tests and retests of 30 <u>non-commercial</u> devices, as shown in Attachment III, provided by Mr. Baker.

4. Attachment IV is a memorandum, provided by Mr. Baker, explaining why the Department did not charge for retesting of <u>commercial</u> weighing and measuring devices which failed their mandatory initial tests, even though

such fees had been previously authorized by the Board of Supervisors. Attachment V is a memorandum provided by Mr. Baker explaining why the Department of Consumer Assurance has waited until 2002 to obtain Board of Supervisors approval to charge the latest revised State-authorized fees which became effective on September 1, 1999.

5. According to Mr. Baker, the adoption of this proposed resolution is projected to result in annual revenues of $26,110, an increase of $23,800 from the $2,310 in revenues realized in calendar year 2001. The expenditure of any additional revenues realized in FY 2002-2003, which were not included in the FY 2002-2003 budget, would require Board of Supervisors approval through a supplemental appropriation.

Recommendation: Approve the proposed resolution.

CITY AND COUNTY OF SAN FRANCISCO

DENNIS J. HERRERA
City Attorney

OFFICE OF THE CITY ATTORNEY

EDWARD A. OLSEN
Deputy City Attorney

DIRECT DIAL: (415) 554-4679
E-MAIL: edward.olsen@sfgov.org

MEMORANDUM

TO: Finance Committee

FROM: Edward Olsen
Deputy City Attorney

DATE: September 18, 2002

RE: Department of Consumer Assurance's Schedule of Fees

The proposed resolution approves an update to the schedule of hourly fees the Department of Consumer Assurance is permitted to charge under California Business and Professions Code Section 12210 and S.F. Admin. Code Section 1.15.1 for certain types of inspections of weighing and measuring devices.

The schedule of hourly fees that the Department of Consumer Assurance is permitted to charge is set by the California Department of Food and Agriculture. This schedule of fees must be ratified by the Board of Supervisors in a resolution. *See* S.F. Admin. Code Section 1.15.1(b). When the schedule of hourly fees is updated periodically by the California Department of Food and Agriculture, the updated schedule of hourly fees must also be ratified by the Board of Supervisors in a resolution. *See* S.F. Admin. Code Section 1.15.1 (d).

The Department of Consumer of Assurance has been charging hourly fees in accordance with a schedule of hourly fees set by the California Department of Food and Agriculture on September 24, 1991. This schedule of hourly fees was ratified by the Board of Supervisors in a resolution approved on November 11, 1991. *See* Resolution No. 979-91. The present resolution ratifies the most recent schedule of hourly fees, which was set by the California Department of Food and Agriculture on September 1, 1999.

CITY HALL · 1 DR. CARLTON B. GOODLETT PLACE, ROOM 234 · SAN FRANCISCO, CALIFORNIA 94102-0917
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Attachment II

DEPARTMENT OF
CONSUMER
ASSURANCE
REGULATORY COMPLIANCE
AND AGRICULTURAL STANDARDS

CASF

SAN FRANCISCO COUNTY

DAVID C. FRIEDERS
DIRECTOR

SID BAKER
ASSISTANT DIRECTOR

September 18, 2002

Type of Weighing and Measuring Device Subject to Dept of Consumer Assurance Testing	Existing Schedule of Fees (authorized by the State on 09/24/91)	Proposed New Schedule of Fees (authorized by the State on 09/01/99)	Hourly Rate Increase and Percentage Increase
Small capacity scales	$63.50 per hour + mileage[1]	$70 per hour + $1 per mile (for vehicles up to 10,000 lbs.)	$6.50 10.24%
Scales over 3,000 lbs. capacity	$80 or $115 per hour + mileage[2]	$85 per hour + $1.50 per mile (for vehicles between 10,000 and 40,000 lbs.) $125 per hour + $2 per mile (for vehicles over 40,000 lbs.)	$5 - $10 6.25% - 8.70%
Retail gasoline dispensers	$53 per hour	$53 per hour + $0.50 per mile	Mileage only
Wholesale petroleum meters	$60 per hour	$65 per hour + $0.75 per mile	$5 + mileage 8.33%
Liquefied petroleum gas meters	$60 per hour	$65 per hour + $0.75 per mile	$5 + mileage 8.33%
All other commercial devices	$60 per hour	$65 per hour + $0.75 per mile	$5 + mileage 8.33%

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[1] The mileage change is (a) $0.75 per mile for any vehicle up to 10,000 lbs., (b) $1.25 per mile for vehicles 10,000 – 40,000 lbs., and (c) $1.60 per mile for vehicles exceeding 40,000 lbs.
[2] The same mileage rates apply as above.

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ALEMANY MARKETS DIVISION
100 ALEMANY BOULEVARD
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REGULATORY COMPLIANCE
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Attachment III

DEPARTMENT OF CONSUMER ASSURANCE
REGULATORY COMPLIANCE AND AGRICULTURAL STANDARDS
CASF
SAN FRANCISCO COUNTY

DAVID C. FRIEDERS
DIRECTOR
SID BAKER
ASSISTANT DIRECTOR

NON COMMERCIAL DEVICE REVENUE YEAR 2001

SCHOOL DISTRICT 2001	
BALBOBA HIGH SCHOOL	$63.50
BURBANK	$63.50
BURTON	$63.50
CLILIENTHAL	$63.50
FRANCISCO	$63.50
LINCOLN	$63.50
LOWELL	$63.50
M L KING	$63.50
MCATEER	$63.50
MISSION	$63.50
O'CONNELL	$63.50
V VALLEY	$63.50
HORACE MANN MS	$63.50
WASHINGTON HS	$63.50
WALENBERG HS	$63.50
GALIELO HS $ 63.50 X 2 Hr	$127.00
Sub-Total	$1,079.50
DR. OFFICE 2001	
DR. WILLION OWEN OFFICE , 45 CASTRO ST	$63.50
JOSEPHINE MARK M.D , 818 JACKSON ST	$63.50
NICHOLAS BURIK M.D ,5224 DIAMOND HEIGHT	$63.50
A SABELLA RESTAURANT, 2766 TAYLOR ST	$63.50
A SABELLA RESTAURANT, 2766 TAYLOR ST	$63.50
ERIC LIM, M.D ,1640 VALENCIA	$63.50
DR.PULETTI M.D , 1580 VALENCIA	$63.50
OBGYN CLINIC , 525 SPRUCE ST	$63.50
SHERIFF DEPT , 555 7TH ST	$63.50
ALAN CARTER , 230 COLLINGWOOD ST	$63.50
MISSION CARDIOLOGY MEDICAL, 1580 VALENCIA	$63.50
US CUSTOM, 555 BATERY ST $63.50 X 2 Hr	$127.00
INSPECTION SERVICE INC , PIER 26	$97.00
CCSF, DPW 2099 KEARNY ST $ 77 X 4 Hr	$308.00
Sub-Total	$1,230.50
TOTAL	$2,310.00

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DEPARTMENT OF
CONSUMER ASSURANCE
REGULATORY COMPLIANCE
AND AGRICULTURAL STANDARDS

CASF

SAN FRANCISCO COUNTY

Attachment IV

DAVID C. FRIEDERS
DIRECTOR

SID BAKER
ASSISTANT DIRECTOR

MEMORANDUM

9/19/02

To: Finance Committee

From: Sid Baker, Assistant

Subject: Fees not charged

Authority to charge re-inspection fees was requested by the previous department director in 1993. This authorization was overlooked and has not been utilized. The department regrets this oversight and is taking steps to implement the correct fees.

File:DEVICEfees9902b.doc

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Attachment V

DEPARTMENT OF CONSUMER ASSURANCE
REGULATORY COMPLIANCE AND AGRICULTURAL STANDARDS

CASF

SAN FRANCISCO COUNTY

DAVID C. FRIEDERS
DIRECTOR

SID BAKER
ASSISTANT DIRECTOR

MEMORANDUM

9/19/02

To: Finance Committee

From: Sid Baker, Assistant

Subject: Delayed re-inspection fee implementation

The department of Consumer Assurance initially contacted the City Attorney's Office in July, 2000 with a request to amend the San Francisco Administrative Code to permit the Department to charge a professional staff hourly billing rate of $77 for services rendered. After consulting with deputies in the City Attorney's Office, reviewing the existing fee provisions in the San Francisco Administration Code Section 1.51.1, and participating in discussions with the State Division of Measurement Standards at the California Department of Food and Agriculture, this request was ultimately modified to draft a resolution adopting the most recent schedule of fees set by the Division of Measurement Standards in 1999. Although this process has taken longer than we would have liked, the proposed resolution ratifies the most recent schedule of fees that the Department is entitled to charge pursuant to state law.

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Items 11 and 12 – Files 02-1284 and 02-1283

REPORT SUMMARY

1. The Department of Parking and Traffic (DPT) and the Municipal Transportation Agency (MTA) are requesting approval of two resolutions related to the City's current four-year contract with PRWT Services Inc. for an automated parking citation processing and collections system, including handheld ticket writing devices. File 02-1284 is a resolution authorizing the Executive Director of DPT to execute a Second Amendment to the agreement to extend the agreement for two years. File 02-1283 is a resolution concurring with the Controller's certification that automated parking citation processing and collections services can continue to be practically performed by a private contractor at a lower cost than if the work were performed by City employees.

2. On July 31, 1998 the Board of Supervisors approved a four-year contract in an amount not to exceed $30,000,000 with PRWT for a comprehensive parking citation processing and collection system from September 24, 1998 through September 23, 2002. The proposed Second Amendment to the City's contract with PRWT would extend the original four year contract by two years, changing the end date from September 23, 2002 to September 23, 2004, with a remaining option to renew up to two additional years. The proposed Second Amendment would also increase the contract's not-to-exceed amount by $19,000,000, from $30,000,000 to $49,000,000 for the total six year period of September 24, 1998 through September 23, 2004.

3. As shown in Attachment III-A, during the original Contract Years 1 through 4 (September 24, 1998 through September 23, 2002), the City will pay to PRWT an estimated total of $29,293,226 (see Comment No. 1). During Contract Years 5 and 6, the proposed two year contract extension term of September 24, 2002 through September 23, 2004, DPT estimates that the City will pay to PRWT an estimated total of $17,866,584 (see Comment No. 1). The source of funds for the PRWT contract is DPT's annual operating budget.

   The Budget Analyst questioned the not-to-exceed amount of the proposed Second Amendment, which is $49,000,000 when, during the current four year contract PRWT will be paid an estimated $29,293,226 and during the two year contract extension PRWT will be paid an estimated $17,866,584, a total of $47,159,810. The estimated total payment to PRWT already includes $1,600,000 in contingency funds for upcoming Caltrans construction projects. Therefore, the Budget Analyst recommends that Board of Supervisors amend the proposed resolution approving the Second Amendment (File 02-1284), and instruct the DPT to amend the proposed Second Amendment to the contract with PRWT, to

reduce the not-to-exceed amount of the current and proposed extended contract with PRWT by $1,800,000, to a not-to-exceed amount of $47,200,000.

4. Under the City's current and proposed extended contract with PRWT, the City pays PRWT the following: (a) a fee for every parking citation processed by PRWT; (b) 34 percent of the gross revenues that PRWT collects from citations that are determined by DPT to be uncollectable (Special Collections); (c) postage costs for the parking citation delinquency notices, second delinquency notices and renewal notices for the Residential Parking Permit renewal program; (d) the cost of additional equipment purchases; (e) the cost of non-warranty, non-corrosion related repairs; and (f) a contingency of $1,600,000 for the purchase of additional equipment needed because of upcoming Caltrans construction projects such as the Bay Bridge Retrofit project and the Central Freeway project. The six cost components are described in detail in Comment No. 1 of this report.

5. The DPT has classified all fleet (i.e., United Parcel Service and Federal Express vans, etc) and rental vehicles as special collections to be assigned to PRWT for collection. PRWT receives 34 percent of Special Collection revenue, as noted above. The Budget Analyst questions why the DPT is unable to set up administrative procedures within the Department to perform the necessary tasks to collect parking citation revenue for fleet and rental vehicles since fleet operators and rental car agencies are typically easily identified companies doing business in and around the City. The establishment of an in-house administrative structure to collect fleet and rental vehicles Special Collections parking citation revenues could result in additional revenues to the City of up to $608,676 in Contract Year 5 and up to $638,002 in Contract Year 6 because the City would no longer pay 34 percent of the gross revenues from Special Collections on fleet and rental vehicles to PRWT. Instead, the City would retain 100 percent of the gross revenues from such Special Collections. Such increased revenues of up to $608,676 in Contract Year 5 and up to $638,002 in Contract Year 6 should be far in excess of increased collection costs for DPT. This issue is discussed in detail under Comment 1, Fee for Special Collections under file 02-1284. DPT has provided a cost estimate for such collection efforts that the Budget Analyst questions. Additionally, the DPT cost estimate is inconsistent with the Controller's certification of cost estimates for all Special Collections used in their analysis of File 02-1283.

6. The proposed contract with PRWT includes provisions which have led to the following savings according to DPT estimates and as originally reported to the Board of Supervisors when the PRWT contract was approved in July of 1998: (1) PRWT assumed the $300,000 annual fee for Lockbox processing which used to be included in the Treasurer/Tax Collector's budget, (2) PRWT provides the special paper used to print the new electronic citations, a savings in the DPT budget of $300,000 annually, (3) use of handheld ticket writing devices has eliminated the

DPT data entry requirements of $400,000 annually, and (4) various savings in microfilm costs, DPT forms, and production and mailing of notices which totaled $360,660 annually, for a total annual savings of DPT and Treasurer/Tax Collector costs of $1,360,660.

7. The DPT reports that the first year of the contract, September 24, 1998 through September 23, 1999, which included 10 months of operations (December of 1998 through September of 1999) resulted in a net revenue loss to the City of $1,741,334. This net revenue loss to the City of $1,741,334 is in contrast to the estimated net revenue increase of $1,868,086 during the first seven months of operation reported to the Board of Supervisors by DPT initially in October of 1999. (See Comment 4 to File 02-1284, *Net Revenue to the City from the PRWT Contract*)

   Over Contract Years 2 through 4, the net revenue gain to the City from the additional revenue from the higher collection rate and the net revenue from Special Collections have far exceeded the results that DPT had anticipated in 1998. As shown in Attachment VI, the City had a net revenue gain of $11,634,882 during Contract Year 2, when only $1,141,560 was originally anticipated, $9,696,412 in Contract Year 3, when only $668,220 was anticipated, and $11,927,396 in Contract Year 4 when $1,071,180 was anticipated.

   The Department anticipates that the proposed two year contract extension will generate net revenue increases to the City of $11,308,512 per year, or a total of $22,617,024. Such net revenue estimates are based on PRWT processing 2,321,881 citations per year, with an annual collection rate of 78 percent.

8. In April of 1998, the Board of Supervisors approved a supplemental appropriation to fund the salary and fringe benefits for 48 new PCO positions (43 Parking Control Officers and 5 Senior Parking Control Officers) in the Department's annual budget. Such action by the Board of Supervisors was taken during Year 1 of the City's contract with PRWT. The 48 new PCO positions represented an increase in PCO staffing of 17.0 percent over the prior level of 283 total PCO staff (261 Parking Control Officers and 22 Senior Parking Control Officers). The number of citations issued annually increased from 2,052,643 in Contract Year 1 to 2,311,261 in Contract Year 2, an increase of 12.6 percent over Contract Year 1, and 2,440,947 in Contract Year 3, an increase of 18.9 percent over Contract Year 1. The Budget Analyst notes that the increased number of citations issued in Contract Years 2 and 3, and thus the increase in total revenue, could be attributed at least in part to the additional PCOs added to DPTs budget in April of 1998. (See Comment 9 to File 02-1284).

9. Since Fiscal Year 1997-98, revenues generated from the collection of parking citation fines have increased. In the professional judgement of the Budget Analyst, the increase in parking citation revenues collected has resulted from at least three factors: (1) the increase of 48 FTE PCOs in the Department's annual budget and their resulting ability to issue additional tickets, (2) the increased collection efforts by PRWT which are reflected in higher collection rates, and (3) the parking fine increases, previously approved by the Board of Supervisors, in January of 2002. As shown in Attachment V, the DPT was able to estimate the increased revenues beginning in Contract Year 4 attributable to the parking fine increases in January of 2002. However, the Department is unable to estimate the increased revenue attributable to the additional 48 FTE PCOs, an increase of 17.0 percent as noted above, which were added to the Department's annual budget during Contract Year 1. (See Comment 10 to File 02-1284).

10. As of the writing of this report, Mr. Steve Bell of the DPT advises that DPT intends to enter into a new Second Amendment with PRWT beginning on September 24, 2002 to extend the original contract, which terminates on September 23, 2002, by one month or until the proposed two-year contract extension is approved by the Board of Supervisors, whichever occurs first. Such a new Second Amendment is not subject to Board of Supervisors approval because this modification increases the total contract amount by less than $500,000, the minimum increase that would require Board of Supervisors approval as provided for in the City's Charter Section 9.118, advises Ms. Angela Karikas of the City Attorney's Office. Therefore, the Budget Analyst recommends that the proposed resolution to approve the two-year contract extension (File 02-1284) be amended to refer to a Third Amendment instead of a Second Amendment. (See Comments 11 and 12 to File 02-1284).

Recommendations:

1. The Budget Analyst recommends that Board of Supervisors amend the proposed resolution approving the Second Amendment (File 02-1284), and instruct the DPT to amend the proposed Second Amendment to reduce the not-to-exceed amount of the current and proposed extended contract with PRWT by $1,800,000, to a not-to-exceed amount of $47,200,000 in accordance with Summary Point 3.

2. The Budget Analyst recommends that the proposed resolution to approve the two-year contract extension (File 02-1284) be amended to refer to a Third Amendment instead of a Second Amendment as discussed in accordance with Summary Point 10.

3. The Budget Analyst considers approval of File 02-1284, as amended, to be a policy matter for the Board of Supervisors because:

   (a) The Budget Analyst questioned why the DPT is unable to set up administrative procedures within the Department to perform the necessary tasks to collect parking fleet and rental vehicles Special Collections parking citation revenues, which could result in additional revenues to the City of up to $608,676 in Contract Year 5 and up to $638,002 in Contract Year 6 (see Summary Point 5). Further, the Budget Analyst questioned the Department's estimated annual costs of administering the fleet and rental vehicles portions of the Special Collections Program.

   (b) The increase in parking citation revenues collected during the past four years has resulted from at least three factors: (1) the increase of 48 FTE PCOs in the Department's annual budget and their resulting ability to issue additional tickets, (2) the increased collection efforts by PRWT which are reflected in higher collection rates, and (3) the parking fine increases in January of 2002. The DPT is therefore unable to isolate the amount of increased parking citation revenues collected over the past four years due solely to the City's contract with PRWT and PRWT's performance under the contract (see Summary Point 9).

4. Approval of File 02-1283, concurring with the Controller's certification that automated parking citation processing and collections services can continue to be practically performed by a private contractor at a lower cost than if the work were performed by City employees, is a policy decision for the Board of Supervisors because its approval is dependent on Board of Supervisors approval of File 02-1284.

The full report concerning Items 11 and 12, Files 02-1284 and 02-1283 follows this summary.

Items 11 and 12 – Files 02-1284 and 02-1283

Department: Department of Parking and Traffic (DPT)
Metropolitan Transportation Agency (MTA)

Note: As of July 1, 2002, the Department of Parking and Traffic budget became part of the Metropolitan Transportation Agency's (MTA) baseline budget.

Items: File 02-1284: Resolution authorizing the Executive Director of the Department of Parking and Traffic to execute a Second Amendment to the agreement between the City and County of San Francisco and PRWT Services Inc. for an automated parking citation processing and collections system, including handheld ticket writing devices, to extend the agreement for two years.

File 02-1283: Resolution concurring with the Controller's certification that automated parking citation processing and collections services can continue to be practically performed by a private contractor at a lower cost than if the work were performed by City employees.

FILE 02-1284: PROPOSED SECOND AMENDMENT TO THE CITY'S CONTRACT WITH PRWT SERVICES, INC. (PRWT)

Description: On November 1, 1993, the DPT assumed responsibility for processing and collecting parking citation fines from the Trial Courts, following a State law that decriminalized parking violations. Following several years of efforts to automate and improve the efficiency of the citation and collection process, on July 31, 1998 the Board of Supervisors approved a four-year contract in an amount not to exceed $30,000,000 with PRWT for a comprehensive parking citation processing and collection system from September 24, 1998 through September 23, 2002.

In 1998, the DPT selected PRWT and its team of subcontractors, then consisting of Lockheed Martin[1], Duncan Management, Bank of America, Direct Mail Center, Ace Mailing[2], and Delta Computer, through a Request for Proposals (RFP) process to implement a comprehensive parking citation processing and collections system that provides the DPT with three major system components:

- A hand-held parking citation issuance and reporting system, consisting of electronic hand-held ticket writers; personal computers, supporting software, networking capabilities, and support services,
- A parking citation processing system to serve as a central repository of information about citations issued and the Residential Parking Permit program, and consisting of a variety of computer and hardware, software, management and support services, and
- Support services for an Out-of-State and Special Collections Program, which pursues the collection of parking citations that are determined by DPT to be uncollectable from vehicles registered out of State and from motorists that have relocated, transferred vehicle ownership, or are otherwise difficult to collect. This program is referred to as Special Collections.

The PRWT's responsibilities and the responsibilities of its current subcontractors are listed below:

PRWT	Project management, local operations, collections, training, and subcontractor reporting
Affiliated Computer Services (ACS)	Computer Services
Duncan Management	Supplier of handheld ticket writers and printers
Bank of America	Lockbox processing
Direct Mail Center	Mailing services
Genesys	Data entry services
Delta Computing	Computer hardware and maintenance

Under the City's current contract with PRWT, Parking Control Officers (PCOs) issue citations by entering the

[1] Affiliated Computer Services (ACS) has since purchased the division of Lockheed Martin that formerly provided this service.
[2] PRWT now subcontracts with Genesys for data entry services instead of Ace Mailing.

violation and vehicle data directly into an electronic handheld ticket writing device, which prints tickets on paper that is waterproof and tear resistant. At the end of each PCO shift, the handheld device is downloaded into the DPT network database. Detailed information regarding each citation is available to DPT the following day. Notifications are mailed to registered owners 21 calendar days after issuance.

DPT staff are able to conduct immediate, online research in order to provide service to citation recipients who request additional information about a citation or protest a citation.

Parking citations can be paid in person at 1380 Howard Street and 27 Van Ness, by telephone or internet (paid by a credit card), or by mail. Mailed payments are sent to a post office lockbox, from which Bank of America collects, processes and deposits payments the City's Parking Fine account within 24 hours of receipt.

Provisions of the Proposed Second Amendment:

The provisions of the proposed Second Amendment to the City's existing contract with PRWT for an automated parking citation processing and collections system are as follows:

(a) DPT would exercise its option to extend the term of the original four-year contract period by two additional years, Years 5 and 6, for a total contract term of six years. With the extension of the PRWT contract by two additional years, the DPT would still have the option to renew the contract for an additional two years.

(b) The not-to-exceed contract amount would increase by $19,000,000, from $30,000,000 to $49,000,000 for the total six year period of September 24, 1998 through September 23, 2004.

(c) The per citation fees paid by the City to PRWT for all citations issued annually above 2,000,000 would increase by approximately 10 percent from the existing fees per citation issued. The per citation processing fee structure is shown in Attachment I-A and Comment No. 1. The per citation fees paid by the City to PRWT are one of the six cost components of the PRWT

contract, also including costs for the Special Collections Program, postage, equipment purchase, equipment repair and a contingency for upcoming construction projects. According to Ms. Julia Dawson of DPT, the per citation fees include all costs of providing the automated parking citation processing and collections system, with the exception of the costs of postage, non-warranty repairs, and the cost of any additional equipment needed by the City above and beyond the amount of equipment that was specified in the original contract.

(d) PRWT would be required to pay up to $10,000 in Contract Year 5 and up to $11,000 in Contract Year 6 to repair any corrosion to the print heads of the handheld ticket writing devices.[3] Under the existing contract, such repair costs were the responsibility of the City. Ms. Dawson reports that there have been few such repair costs to date.

(e) PRWT, through Bank of America, would provide lockbox services for payments received for the Residential Parking Permit Renewal Program. This would include up to 40,000 renewals per year. Such services are currently provided in-house by DPT staff (see Comment No. 6).

(f) The contract would be amended to require PRWT and its subcontractors to comply with the City's Minimum Compensation Ordinance and Health Care Accountability Ordinance.

Amount Paid by the City to PRWT:

During the original Contract Years 1 through 4 (September 24, 1998 through September 23, 2002), the City will pay to PRWT an estimated total of $29,293,226 (see Comment No. 1). During Contract Years 5 and 6, the proposed two year contract extension term of September 24, 2002 through September 23, 2004, DPT estimates that the City will pay to PRWT an estimated total of $17,866,584 (see Comment No. 1).

[3] Corrosion damage is typically due to the climate conditions in the Bay Area (moist cool air) and, under the proposed Second Amendment, such repairs would be the responsibility of PRWT up to $10,000 in Contract Year 5 and $11,000 in Contract Year 6. These amounts are the total maximum amounts for all of the City's 281 handheld ticket writing devices. The City is and would continue to be responsible for other equipment damage not covered by warranty, such as cracked display screens or internal damage.

Source of Funds: DPT's annual operating budget.

Proposed Extended Contract Term: Two years. The original contract with PRWT was for an initial term of four years, from September 24, 1998 through September 23, 2002, with one option to renew for up to four additional years. The proposed Second Amendment to the City's contract with PRWT would extend the original four year contract by two years, changing the end date from September 23, 2002 to September 23, 2004, with a remaining option to renew up to two additional years.

Comments on File 02-1284:

1. *Costs of the Current and Proposed Extended PRWT Contract*

Under the City's current and proposed extended contract with PRWT, the City pays PRWT the following:

(a) a fee for every parking citation processed by PRWT as described below. Under the proposed extended contract, such fees per parking citation processed for all citations issued annually above 2,000,000 would increase by approximately 10 percent;

(b) 34 percent of the gross revenues that PRWT collects from citations that are determined by DPT to be uncollectable (Special Collections). PRWT is currently and would continue to receive 34 percent of the gross revenues from Special Collections;

(c) postage costs for the parking citation delinquency notices, second delinquency notices and renewal notices for the Residential Parking Permit renewal program (mailing costs for Special Collection notices are included in the 34 percent of gross revenues payment to PRWT). PRWT is currently and would continue to be reimbursed for such postage costs.

(d) the cost of additional equipment purchases including handheld ticket writing devices, the cradles for the handheld ticket writing devices, and the print heads. Attachment I-B, provided by DPT, shows the amount of equipment authorized to be purchased under the original contract, the First Amendment to the original contract, and the proposed Second Amendment.

(e) the cost of non-warranty, non-corrosion related repairs, which was a component of the current contract added under the First Amendment; and

(f) a contingency of $1,600,000 for the purchase of additional equipment needed because of upcoming construction projects such as the Bay Bridge Retrofit project and the Central Freeway project. These construction projects would require the deployment of additional PCO, who would need equipment. Such additional equipment includes handheld ticket writing devices, the cradles for the handheld ticket writing devices, the print heads, the computer stations and the related software necessary. There is no contingency for construction projects in the existing four year contract. A contingency for upcoming construction projects would be new in the proposed Second Amendment.

The six cost components of the current and proposed extended PRWT contract are described below in detail.

Fee Per Parking Citation Processed

One of the six cost components of the PRWT contract is the fee per parking citation processed. Processing a citation means that PRWT provides the ticket writing equipment and software that issues the citation. PRWT downloads that citation onto a computer and then uploads that citation to a server system. The system automatically requests the address of the registered vehicle owner from the Department of Motor Vehicles (DMV) computer for each citation. If the citation is not paid within 21 days of issuance, the system uses the DMV address to generate a first collection notice. If DPT does not receive a payment on the first notice within 21 days, then DPT adds an additional penalty of $12 and the system sends a second notice. If DPT does not receive a payment on the second notice within 28 days, then DPT adds an additional penalty of $15 and the system sends a registration hold record to the DMV's computer for the amount due. If a payment is received by DPT, the lockbox processing agent, Bank of America, deposits the check and scans the accompanying notice so that the payment is credited to the citation. The system also provides a cashiering system for in-person transactions and detailed accounting records for every ticket processed, including adjustments,

adjudication information, penalties, revenue splits to other agencies, and any other relevant financial information. Ms. Dawson advises that PRWT is paid a one-time fee for each parking citation processed, regardless of whether or not the fines from that parking citation are collected.

The fee structure under the existing four-year contract is shown below and in Attachment I, provided by DPT:

Citation Processed per Year	Fees Payable to PRWT Year 1	Year 2	Year 3	Year 4
First 2 million	$2.405	$2.355	$2.29	$2.29
Next 250,000	$2.19	$2.14	$2.09	$2.09
Next 250,000	$1.69	$1.64	$1.59	$1.59
Next 250,000	$1.18	$1.14	$1.13	$1.13
Next 250,000	$0.93	$0.93	$0.93	$0.93
Over 3 million	$0.73	$0.73	$0.73	$0.73

The fee structure under the proposed two year Second Amendment to the existing contract with PRWT compared to the current (Year 4) fees is shown below and in Attachment I:

Citation Processed per Year	Fees Payable to PRWT Year 4	Year 5 Proposed	Year 6 Proposed
First 2 million	$2.29	$2.29	$2.29
Next 250,000	$2.09	$2.29	$2.29
Next 250,000	$1.59	$1.75	$1.75
Next 250,000	$1.13	$1.24	$1.24
Next 250,000	$0.93	$1.02	$1.02
Over 3 million	$0.73	$0.80	$0.80

The fee for the first 2,000,000 citations processed would be the same under the proposed Second Amendment as under Year 4 of the current contract, or $2.29 per citation. The proposed PRWT fee per citation processed for the 2,000,001st citation and above in Contract Years 5 and 6

would increase over Contract Year 4 by approximately 10 percent. Ms. Dawson states in the attached memorandum (Attachment II) that the reason the fee per citation processed for citations in excess of 2,000,000 annually would increase by 10 percent is as follows:

> "DPT negotiated various service improvements, new services, new maintenance requirements, and computer replacement parts in the proposed contract extension. All of these negotiated improvements will result in increased costs to our vendor. DPT researched the percentage increase in the nationwide CPI between 1998 and 2002, which was 10% according to the U.S. Department of Labor, Bureau of Labor Statistics Inflation Calculator, and proposed to adjust the pricing in the contract by 10% for citations issued over the 2 million threshold to compensate the vendor for providing additional services. Since Parking and Traffic issues 2.2 million citations per year, the increased cost is only on citations over the 2 million threshold, which is a small percentage of our overall issuance."

As shown in Attachment I, the total number of citations processed was 2,052,643 in Year 1 of the existing contract and is projected to be 2,321,881 in Years 5 and 6 of the proposed extended contract.

As shown in the table above, over the four-year term of the existing contract, the fee per citation processed has decreased every year between Contract Years 1 through 3 and remained unchanged in Contract Year 4. The proposed increases in the per citation fees between Contract Year 4, under the existing contract, and Contract Year 5, under the proposed Second Amendment, would therefore be the first fee increases during the term of the City's contract with PRWT.

As shown in Attachment III-A, provided by DPT, the DPT will pay to PRWT an estimated total of $20,902,126 in citation processing fees during Years 1 through 4 of the existing contract, consisting of actual payments of

$4,925,288 in Year 1, $5,345,468 in Year 2, $5,406,106 in Year 3, and an estimated payment of $5,225,264 in Year 4 (for the contract year ending September 23, 2002), for average total expenditures of $5,225,532 over the first four years. As also shown in Attachment III-A, the DPT anticipates that it will pay to PRWT a total of $10,556,584 in citation processing fees over the two-year term of the proposed Second Amendment, or $5,278,292 per year. This total would represent an increase in average annual citation processing fee payments of approximately one percent.

Fee for Special Collections

In addition to the citation processing fees, PRWT receives 34 percent of the gross revenues collected from Special Collections, including any late fees associated with such Special Collections. Special Collections are collections from parking citations which are classified by DPT as uncollectable. Ms. Dawson explains in Attachment II that parking citations are classified by DPT as uncollectable if they are returned to DPT by mail as undeliverable, Out-of-State unpaid citations, citations rejected by the State DMV system, DMV holds over one year old[4], leased or rented vehicles, declaration of non-ownership at the time the parking citation was issued by a citation recipient, and fleet vehicles such as Federal Express or UPS vans. Attachment III-B, provided by DPT, shows the number of Special Collection citations that DPT referred to PRWT for the Special Collection program. When questioned why fleet and rental vehicles are assigned as special collections, Ms. Dawson responds in Attachment III-C by stating:

> "To be effective, both of these programs require continuous, consistent and effective administration, maintenance of records, software modifications and enhancements, and detailed updating of records in the citation processing system. Parking and Traffic has not historically maintained these types of programs on a large scale and did

[4] A DMV hold is when an unpaid parking citation fee is linked in the DMV database to an automobile's registration fee. The DPT anticipates that, because registration fees are to be paid annually, any DMV hold over one year old is unlikely to be paid and is deemed to be uncollectable.

not have the staff resources to market the program and increase the collection on these types of citations."

The City receives 66 percent of such gross Special Collection revenues. As shown in Attachment IV, provided by DPT, the City is projected to receive $3,184,445 for Contract Year 4, which is the year ending September 23, 2002, and is projected to receive $4,076,471 in Contract Year 5.

As shown in Attachment III-A, the City will pay to PRWT an estimated total of $6,031,359 in Special Collection fees during Contract Years 1 through 4. The DPT anticipates that the City will pay to PRWT an estimated $4,200,000 in special collection fees over the proposed two-year term of the extended contract, or $2,100,000 per year. As stated by Ms. Dawson in Attachment II, DPT is projecting a revenue increase for the Special Collections program in Contract Years 5 and 6 because PRWT "plans to develop program criteria and begin to collect on two collection categories (returned mail, declaration of non-ownership) that were part of the original contract but were never implemented. DPT also expects PRWT to increase the number of rental car companies and fleets that participate in those two collections programs." Ms. Dawson states in Attachment III-C, "Without belonging to the fleet program, each citation is noticed individually, making it less likely that it will be collected." Ms. Dawson continues is Attachment III-C, "For the rental vehicle program, recruitment of new companies is also vital, because without information from the rental car companies, the citations are not collectable."

The Budget Analyst questions why the DPT is unable to set up administrative procedures within the Department to perform the necessary tasks to collect parking fleet and rental vehicles Special Collections parking citation revenues. The establishment of an in-house administrative structure to collect fleet and rental vehicles Special Collections parking citation revenues could result in additional revenues to the City of up to $608,676 in Contract Year 5 and up to $638,002 in Contract Year 6 because the City would no longer pay 34 percent of the gross revenues from Special Collections on

fleet and rental vehicles to PRWT. Instead, the City would retain 100 percent of the gross revenues from such Special Collections. According to Ms. Dawson, the cost to the City of administering the Special Collections Program for fleet and rental vehicles could total approximately $847,911 annually, including the following estimated total annual costs: 3.5 FTEs at $220,976, fringe benefits at $55,244, the contracted services of a computer analyst/programmer at $175 per hour for 2,427 hours at $424,666, postage and lockbox costs at $27,025, and other computer processing costs including costs associated with producing daily, weekly, and monthly computer reports, computer processing charges, and any routine maintenance costs for computer record storage and access, at $120,000.

In the Controller's analysis of the estimated City costs for Special Collections, which are included in the Personnel Costs of the City-Operated Service Costs for File 02-1283, the Controller estimated that 3.0 FTEs at an annual cost of $209,018 at the lowest salary step and $260,087 at the highest salary step would be required to administer the entire Special Collections Program. However, Ms. Dawson estimated that 3.5 FTEs at an annual cost of $220,976 would be required to administer only the fleet and rental vehicles portions of the Special Collections Program. Further, the Budget Analyst questions why the DPT would find it necessary to retain the services of a computer analyst/programmer at $175 per hour for 2,427 hours at an estimated annual cost of $424,666. The DPT has not provided the Budget Analyst with a sufficient explanation for why these annual computer programming costs are necessary to the functions of the fleet and rental vehicles portion of the Special Collections Program.

Postage Costs

Under the City's current and proposed extended contract with PRWT, the City reimburses PRWT for postage costs for mailing parking citation delinquency notices, second delinquency notices and Residential Permit Program renewal notices.

As shown in Attachment III-A, during Years 1 through 4, the DPT will pay to PRWT an estimated total of

$2,071,811 for postage costs. The DPT anticipates that the City will pay to PRWT an estimated $1,380,000 in postage costs over the two year term of the proposed Second Amendment, or $660,000 in Contract Year 5 and $720,000 in Contract Year 6.

Additional Equipment Purchase

As shown in Attachment III-A and according to Ms. Dawson, DPT purchased additional equipment that was above and beyond the amount of equipment specified in the original contract. Such additional equipment includes handheld ticket writing devices, the cradles for the handheld ticket writing devices, and the print heads. Ms. Dawson reports that the purchase of additional equipment at a cost of $239,170 in Contract Year 3 was authorized by the First Amendment to the original contract. The DPT anticipates that it will spend an estimated $35,000 per year, or a total of $70,000, on equipment throughout the two-year contract extension term, as shown in Attachment III-A. The purchase of such additional equipment would be authorized upon approval by the Board of Supervisors of the proposed resolution, File 02-1284.

Equipment Repair

As shown in Attachment III-A, the DPT paid to PRWT $48,760 in Contract Year 4 for repairing non-warranty, non-corrosion related equipment damage. The DPT anticipates that it will pay to PRWT $30,000 each year, or a total of $60,000 over the two year contract extension period, for repairing such equipment damage. According to Ms. Dawson, non-warranty, non-corrosion related equipment damage occurs when a piece of equipment, typically a handheld ticket writing device or a print head, is damaged during normal use. Warranty related equipment damage occurs when a piece of equipment is defective.

Contingency for Upcoming Caltrans Construction Projects

Ms. Dawson states in Attachment II, "We added a 10% contingency in case we are asked to deploy Parking Control Officers for upcoming construction projects, such as the Bay Bridge Retrofit and the Central Freeway, and they need additional equipment." As shown in

Attachment III-A, $1,600,000 is less than 10 percent of $16,266,584, which is the sum of the anticipated costs in Contract Years 5 and 6 for citation processing fees, Special Collection fees, postage costs, equipment repair and equipment purchase. Ms. Dawson reports that the Bay Bridge Retrofit and the Central Freeway construction projects, both Caltrans projects, are scheduled to begin in the Fall of 2002. Any additional equipment for the PCOs deployed as a result of new construction projects would be purchased through the City's contract with PRWT. According to Mr. Steve Bell of DPT, Caltrans would reimburse the City for the time that a PCO is deployed to Caltrans project related traffic control duties which will likely total two days per additional PCO per week, or 0.4 FTE. Mr. Bell reports that traffic control duties generally do not involve parking citation issuance. Mr. Bell further reports that, at this time, Caltrans does not intend to reimburse the City for additional costs for a PCO when he or she is deployed to general enforcement duties that involve parking citation issuance, such as personnel costs, citation processing fees, Special Collection fees, postage costs, equipment repair and equipment purchase.

According to Ms. Dawson, in the future the Board of Supervisors will be required to approve a Traffic Mitigation Plan for each Caltrans project. A Traffic Mitigation Plan is an agreement between Caltrans and the City on the responsibilities of the two parties during Caltrans construction projects. Under such an agreement, the Board of Supervisors would approve the addition of any PCOs and the purchase of any additional equipment in DPT's budget. If the Board of Supervisors approves the Traffic Mitigation Plans for the Bay Bridge Retrofit project and the Central Freeway project requiring additional PCOs, then additional equipment for any new PCOs would be purchased through the City's contract with PRWT, as previously noted.

Total Amount Paid to PRWT

According to the terms of the current four year contract, the City's cost of the contract cannot exceed $30,000,000. The proposed Second Amendment to the current contract would increase the not-to-exceed amount by $19,000,000, for a new not-to-exceed amount of $49,000,000.

Using the pricing structure shown above and assuming issuance of 2,321,881 citations per year in Contract Years 5 and 6 as projected in Attachment IV, the City's total cost of the PRWT contract in Contract Years 5 and 6, as shown in Attachment III-A, is anticipated to total $17,866,584 consisting of the following costs:

Citation Processing Fees	$10,556,584
Special Collection Fees	4,200,000
Postage Costs	1,380,000
Equipment Purchases	70,000
Equipment Repair	60,000
Contingency for Upcoming Construction Projects	1,600,000
TOTAL	**$17,866,584**

According to DPT, and as shown in Attachment III-A, the projected total cost of the PRWT contract in Contract Years 1 through 4 is anticipated to total $29,293,226 consisting of the following costs:

Citation Processing Fees	$20,902,126
Special Collection Fees	6,031,359
Postage Costs	2,071,811
Equipment Purchases	239,170
Equipment Repair	48,760
TOTAL	**$29,293,226**

The Budget Analyst questioned the not-to-exceed amount of the proposed Second Amendment, which is $49,000,000 when, during the current four year contract PRWT will be paid an estimated $29,293,226 and during the two year contract extension PRWT will be paid an estimated $17,866,584, a total of $47,159,810. Ms. Dawson responds in Attachment II, "We rounded the not to exceed amount of the contract up to $49 million to include purchasing ability for unanticipated events, such as higher issuance and higher special collections. All of these increased costs would directly benefit the City because they would also generate higher revenues."

2. <u>*Collection Rates and Additional Annual Revenues*</u>
According to Ms. Dawson, the parking fine revenue collection rate is based on the number of citations collected as a percentage of the total citations processed annually. According to Ms. Dawson, in Fiscal Year 1997-1998, prior to the City's contract with PRWT, DPT collected approximately 53 percent of parking citations issued. In addition, approximately 14 percent of the citations processed were collected by the DMV (and forwarded to the City) during vehicle registration processes. Also, an additional approximately two percent of the citations issued were collected through a contract by City Tow after a vehicle was towed and by the Residential Permit Program at the time a residential permit was issued or renewed. Overall, this resulted in a total DPT collection rate of 69 percent.

As shown in Attachment IV, provided by Ms. Dawson, during Contract Year 1, the City's collection rate increased from 69 percent to 73 percent[5]. By Contract Year 2, the City's collection rate had increased to 78 percent and has remained at that level during Contract Years 3 and 4, according to DPT. The City's collection rate is projected to remain at 78 percent during the two year period of the proposed Second Amendment, or Contract Years 5 and 6. In the attached memorandum (Attachment II), Ms. Dawson states that "The PRWT contract has allowed the City to receive its payments sooner, which ultimately results in higher revenue. For parking citation collections, the sooner that the City can notice a citation, the more likely it is to receive a payment for that citation. As time passes, it becomes more likely that the vehicle will change ownership, making it much more difficult to collect any parking citation written against its license plate." Ms Dawson continues, "Parking and Traffic has not altered the way that it performs enforcement and collection functions except for the changes that are a direct result of the PRWT contract."

[5] Ms. Dawson notes that although Contract Year 1 is the period of September 24, 1998 through September 23, 1999, the PRWT did not begin processing citations until November of 1998. Therefore, the collection rate of 73 percent in Contract Year 1 is for the period of November of 1998 through September 23, 1999.

According to Ms. Dawson, in January, 2002, during Contract Year 4, the Board of Supervisors approved parking fine increases for certain parking violations that were perceived to promote traffic safety and traffic flow. As shown in Attachment V, the parking fine increases in January, 2002 are anticipated to result in additional revenues of $1,623,823 in Contract Year 4, $2,165,098 in Contract Year 5, and $2,165,098 in Contract Year 6, or a total of $5,954,019. However, increased revenues resulting from such fine increases are not used by DPT in their calculation of net revenues resulting from the PRWT contract, according to Ms. Dawson and as shown in Attachment V.

As shown in Attachment IV, the collection rate increases have resulted in additional revenues of $2,011,266 in Contract Year 1, in comparison to total revenues collected in the base year of Fiscal Year 1997-98, $15,720,603 in Contract Year 2, $13,952,708 in Contract Year 3, and anticipated additional revenues of $17,608,969 in Contract Year 4. The DPT anticipates that a continued collection rate of 78 percent over Contract Years 5 and 6 would result in additional revenues of $17,564,462 per year, for total additional revenues over the six year term of the contract of $84,422,470. As noted above, the parking fine increases in January, 2002, are anticipated to result in a total revenue increase to the City of $5,954,019 during Contract Years 4, 5 and 6. Thus, the net additional estimated revenues over the six year term of the contract, less additional revenues from fine increases, total $78,468,451 ($84,422,470 less $5,954,019).

3. *City Savings*

The proposed contract with PRWT includes provisions which have led to the following savings: (1) PRWT assumed the $300,000 annual fee for Lockbox processing which used to be included in the Treasurer/Tax Collector's budget, (2) PRWT provides the special paper used to print the new electronic citations, a savings in the DPT budget of $300,000 annually, (3) use of handheld ticket writing devices has eliminated the DPT data entry requirements of $400,000 annually, and (4) various savings in microfilm costs, DPT forms, and production and mailing of notices

which totaled $360,660 annually, for a total annual savings of DPT and Treasurer/Tax Collector costs of $1,360,660. DPT savings are reflected in the cost-benefit analysis shown in Attachment V, provided by DPT.

4. *Net Revenue to the City from the PRWT Contract*
The DPT calculates net revenue by comparing the additional processing costs paid to PRWT less the City's expenditure savings described above with the additional revenue generated during the term of the PRWT contract less parking fine increases and postage for second notices[6]. According to Ms. Dawson, net savings to the City is not defined in the contract. Attachment VI, provided by DPT, shows the Department's projections of net revenue that were made in July of 1998, when the Board of Supervisors considered the original four year contract. As shown in Attachment VI, DPT previously estimated that the PRWT citation processing contract would produce a net benefit to the City of additional parking citation revenue of $971,400 in the contract's first year of operation over parking citation revenues generated in Fiscal Year 1997-98 of $49,800,000, prior to the City's contract with PRWT. This estimated benefit was predicated on the assumption that the City would realize $3,811,500 in additional revenue from the Special Collections Program.

In a follow-up report on the PRWT contract issued by the Budget Analyst on October 6, 1999, the DPT reported an actual net revenue increase of $1,868,086 after the first seven months of operation (December of 1998 through June of 1999), even without any revenues being realized by the City from the Special Collections Program. According to Ms. Dawson, at the request of the Board of Supervisors, the Department enacted an amnesty program beginning in December of 1998 (allowing persons with outstanding citations to pay such citations at the original fine amount with no additional penalties). The amnesty program ended in March of 1999, during Year 1

[6] According to Ms. Dawson, postage for second notices is deducted from additional revenues because such costs are new, additional costs under the PRWT contract. Ms. Dawson reports that prior to the PRWT contract, DPT did not send out second notices to parking citation recipients.

of the PRWT contract, according to Ms. Dawson. Ms. Dawson states in the attached memorandum (Attachment VII), "As a result, DPT could not implement the special collections program until the amnesty period expired and all of the amnesty payments were processed. DPT sent out its first test collections notices in May 1999, increased its number of notices in January 2000, and began sending notices in significant number in March 2000."

As of the writing of this report, as shown in Attachment V, the DPT is now reporting that the first year of the contract, September 24, 1998 through September 23, 1999, which included 10 months of operations (December of 1998 through September of 1999) actually resulted in a net revenue loss to the City of $1,741,334 in contrast to the net revenue increase of $1,868,086 during the first seven months of operation reported by DPT initially in October of 1999. This net revenue loss to the City of $1,741,334 includes five months of activity of the Special Collections program, which generated $452,639 in net revenues from Special Collections alone. Ms. Dawson states in Attachment VII, "In October 1999, DPT did not have any reports that showed the collection rate on citations issued in that year. Instead, DPT estimated the contract benefit by comparing the average payment per citation before and after contract implementation." Ms. Dawson continues, "Using that methodology, DPT estimated a $1,868,086 increase in collections over fiscal year 1998/99. With the reports available today, DPT can accurately track payments on the number of citations issued each month and show a true collection rate."

Over Contract Years 2 through 4, the net revenue gain to the City from the additional revenue from the higher collection rate and the net revenue from Special Collections have far exceeded the results that DPT had anticipated in 1998. As shown in Attachment VI, the City had a net revenue gain of $11,634,882 during Contract Year 2, when only $1,141,560 was originally anticipated, $9,696,412 in Contract Year 3, when only $668,220 was anticipated, and $11,927,396 in Contract Year 4 when $1,071,180 was anticipated.

The Department anticipates that the proposed two year contract extension will generate net revenue increases to the City of $11,308,512 per year, or a total of $22,617,024. Such net revenue estimates are based on PRWT processing 2,321,881 citations per year, with an annual collection rate of 78 percent.

5. *First Amendment*
According to Ms. Dawson, a First Amendment to the PRWT contract was executed on May 11, 2001. The First Amendment was not subject to Board of Supervisors approval because that modification increased the total contract amount by less than $500,000, the minimum increase that would require Board of Supervisors approval as provided for in the City's Charter Section 9.118, advises Ms. Angela Karikas of the City Attorney's Office. The First Amendment provided for the purchase of additional equipment, including handheld ticket writers and related software and computer equipment at a total cost of $239,170, according to Ms. Dawson. The First Amendment also allowed DPT to pay for the cost of repairs to damaged equipment that was not covered under warranty through the contract. This cost $48,760, according to Ms. Dawson. According to Ms. Dawson, the additional costs of additional equipment and repairs to damaged equipment under the First Amendment did not cause an increase in the total not to exceed amount of $30,000,000 of the original contract.

6. *Residential Parking Permit Renewal Program*
Under the proposed Second Amendment, PRWT, through Bank of America, would provide lockbox services for payments received for the Residential Parking Permit Renewal Program, up to 40,000 renewals per year. Such services are currently provided by DPT. Ms. Dawson explains in the attached memorandum (Attachment VII) that "To implement lockbox processing, PRWT would change the notices that are sent to individuals renewing their permits so that the returned notices could be scanned by a computer. Once scanned, the system applies the payments to an account automatically. After the payments are processed, DPT staff will issue the permits."

Ms. Dawson advises that Residential Parking Permit renewal payments currently are manually processed by 0.33 FTE[7] 1404 Clerk position. In addition to processing the new and renewal Residential Parking Permit payments, such DPT staff also are responsible for processing the paperwork that accompanies the payment for Residential Parking Permit renewals, fulfilling any new or renewal permits (which involves putting together paperwork and mailing it to the permit recipient), and staffing the customer windows where residents go to obtain new or renewal permits. PRWT already includes notices of outstanding citations in the renewal forms mailed to current holders of residential parking permits. The cost of such services is included in the fee per citation processed.

7. According to Ms. Dawson, the City's collection of parking citation revenue is protected by several provisions in the current contract and proposed Second Amendment to the current contract with PRWT, including: (1) a $500,000 performance bond through the term of the contract, (2) in the event of default by the primary contractor, PRWT's subcontracts would be assigned to the City, thereby ensuring continued performance under the contract by the subcontractors, (3) in the event that the contract is terminated before the term end, the City will have access to the source code for the software for the ticket information management system and all supporting subsystems, which will be kept in escrow throughout the term of the contract, the City will have the option of purchasing the hardware, and all existing data would be accessible to the City, (4) a $5,000,000 fidelity bond in the event of employee or corporate theft, and (5) liquidated damages for PRWT's failure to meet specified performance standards.

8. According to Ms. Karikas, the above protections were drafted specifically to protect the revenue stream the City

[7] Ms. Dawson advises that this estimate is based on 40,000 Residential Parking Permit renewals processed annually, at 1 minute processing time per renewal, or an estimated total of 667 hours per year. As a portion of a 2080 hour 1.0 FTE position, the 1404 Clerk position would spend approximately 0.33 FTE in this function on an annual basis.

receives from parking citations under the proposed contract with PRWT.

9. In April of 1998, the Board of Supervisors approved a supplemental appropriation to fund the salary and fringe benefits for 48 new PCO positions (43 Parking Control Officers and 5 Senior Parking Control Officers) in the Department's annual budget. Such action by the Board of Supervisors was taken during Year 1 of the City's contract with PRWT. The 48 new PCO positions represented an increase in PCO staffing of 17.0 percent over the prior level of 283 total PCO staff (261 Parking Control Officers and 22 Senior Parking Control Officers).

Ms. Dawson notes that although 48 new PCOs were added to DPT's annual budget, most of the additional FTEs were originally deployed to traffic control duties, and not to general enforcement duties, resulting in a decreased number of citations issued in Contract Year 1 of 2,052,643 when compared to the number of citations issued in Fiscal Year 1997-98 of 2,274,000. The number of citations issued annually increased from 2,052,643 in Contract Year 1 to 2,311,261 in Contract Year 2, an increase of 12.6 percent over Contract Year 1, and 2,440,947 in Contract Year 3, an increase of 18.9 percent over Contract Year 1. The Budget Analyst notes that the increased number of citations issued in Contract Years 2 and 3, and thus the increase in total revenue, could be attributed at least in part to the additional PCOs added to DPTs budget in April of 1998.

10. Since Fiscal Year 1997-98, revenues generated from the collection of parking citation fines have increased. In the professional judgement of the Budget Analyst, the increase in parking citation revenues collected has resulted from at least three factors: (1) the increase of 48 FTE PCOs in the Department's annual budget and their resulting ability to issue additional tickets, (2) the increased collection efforts by PRWT which are reflected in higher collection rates, and (3) the parking fine increases in January of 2002. As shown in Attachment V, the DPT was able to estimate the increased revenues beginning in Contract Year 4 attributable to the parking fine increases in January of 2002. However, the

Department is unable to estimate the increased revenue attributable to the additional 48 FTE PCOs, an increase of 17.0 percent as noted above, which were added to the Department's annual budget during Contract Year 1.

11. As of the writing of this report, Mr. Bell advises that DPT intends to enter into a new Second Amendment with PRWT beginning on September 24, 2002 to extend the original contract, which terminates on September 23, 2002, by one month or until the two-year contract extension is approved by the Board of Supervisors, whichever occurs first. The new Second Amendment is not subject to Board of Supervisors approval because this modification increases the total contract amount by less than $500,000, the minimum increase that would require Board of Supervisors approval as provided for in the City's Charter Section 9.118, advises Ms. Karikas. The Budget Analyst recommends that the proposed resolution to approve the two-year contract extension (File 02-1284) be amended to refer to a Third Amendment instead of a Second Amendment.

12. The terms of the new Second Amendment are as follows:

(a) DPT would extend the original four-year contract by the earlier of October 23, 2002 or the date by which the Board of Supervisors approves the proposed Third Amendment. Mr. Bell advises that the end date of the proposed Third Amendment, September 23, 2004, would not change as a result of the Second Amendment.

(b) The not-to-exceed contract amount increases from $30,000,000 to $30,499,000 to allow for up to one month of service by PRWT. Mr. Bell advises that the not-to-exceed amount of the proposed Third Amendment, $49,000,000, would not change as a result of the Second Amendment.

(c) The Second Amendment would be subject to the terms of the original contract.

File 02-1283: PARKING CITATION PROCESSING AND COLLECTION SERVICES "PROPOSITION J" APPROVAL

Services to be Performed: Parking citation processing and collection services. Such services would continue to be performed by PRWT under the proposed Second Amendment to the City's existing contract with PRWT, the subject of File 02-1284.

Description: Charter Section 10.104 provides that the City may contract with private firms for services, if the Controller determines, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work performed by City employees.

The Controller has determined that contracting for parking citation processing and collection services for FY 2002-2003 would result in the estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Personnel Costs		
Salaries	$3,071,772	$3,707,903
Fringe Benefits	835,938	925,858
Subtotal Personnel Costs	$3,907,710	$4,633,761
Operating Costs		
Materials and Supplies	$360,000	$360,000
Postage	888,000	888,000
Rent	492,000	492,000
Subtotal Operating Costs	$1,740,000	$1,740,000
Data Processing Costs		
System Design & Conversion	$511,830	$511,830
Portable Issuance Units & Workstations	780,167	780,167
Computer Hardware & Operating Software	77,857	77,857
Technical Support & Software Licenses	332,000	332,000
Subtotal Data Processing Costs	$1,701,854	$1,701,854
Estimated Total City-Operated Service Costs	**$7,349,564**	**$8,075,614**
Estimated Total Contract Costs*	**$7,628,257**	**$7,632,688**
Estimated Savings	**($278,693)**	**$442,927**

* The Controller's Estimated Total Contract Costs include $5,003,980 for citation processing fees, $1,891,818 for special collection fees, and $710,088 for postage costs. Such Estimated Total Contract Costs include approximately three months, or July 1, 2002 through September 23, 2002, of the PRWT contract at its existing fee per citation rates and approximately nine months, or September 24, 2002 through June 30, 2003, at the proposed new fee per citation rates. Therefore, the amounts shown in the table above for Estimated Total Contract Costs differ from the total $8,903,292 contract costs described under File 02-0494 which are presented on a contract year basis and which also includes equipment repair, equipment purchase and

construction contingency funds. Further, the Estimated Total Contract Costs in the Controller's certification include the salary and fringe benefits at the lowest and highest salary step of a 0.25 FTE 1824 Principal Administrative Analyst position at DPT to monitor the contract.

Comments on File 02-1283:

1. Ms. Dawson reports that the City's current contract for parking citation processing and collection services was first certified as required by the Charter Section 10.104 in 1998, the first year of the four-year contract with PRWT. However, the DPT has failed to obtain annual certification by the Controller since 1998 "because of an accidental oversight due to limited resources," states by Ms. Dawson in Attachment II.

2. The Controller's supplemental questionnaire with the Department's responses is shown in Attachment VIII to this report.

Recommendations:

1. As noted above in Comment No. 1, the Budget Analyst questioned the not-to-exceed amount of the proposed Second Amendment, which is $49,000,000 when, during the current and proposed extended contract PRWT will be paid an estimated total of $47,159,810. The estimated total payment to PRWT already includes $1,600,000 in contingency funds for upcoming Caltrans construction projects. Therefore, the Budget Analyst recommends that Board of Supervisors amend the proposed resolution approving the Second Amendment (File 02-1284), and instruct the DPT to amend the proposed Second Amendment to reduce the not-to-exceed amount of the current and proposed extended contract with PRWT by $1,800,000, to a not-to-exceed amount of $47,200,000.

2. Amend the proposed resolution, File 02-1284, on lines 16, 20 and 24 to refer to a Third Amendment instead of a Second Amendment, as noted above in Comment No. 11.

3. The Budget Analyst considers approval of File 02-1284, as amended, to be a policy matter for the Board of Supervisors because:

(a) As noted above in Comment No. 1, of this report, the Budget Analyst questioned why the DPT is unable to

set up administrative procedures within the Department to perform the necessary tasks to collect parking fleet and rental vehicles Special Collections parking citation revenues, which could result in additional revenues to the City of up to $608,676 in Contract Year 5 and up to $638,002 in Contract Year Further, the Budget Analyst questioned the Department's estimated annual costs of administering the fleet and rental vehicles portions of the Special Collections Program.

(b) As noted above in Comment No. 10, of this report, the increase in parking citation revenues collected during the past four years has resulted from at least three factors: (1) the increase of 48 FTE PCOs in the Department's annual budget and their resulting ability to issue additional tickets, (2) the increased collection efforts by PRWT which are reflected in higher collection rates, and (3) the parking fine increases in January of 2002. The DPT is therefore unable to isolate the amount of increased parking citation revenues collected over the past four years due <u>solely</u> to the City's contract with PRWT and PRWT's performance under the contract.

4. Approval of File 02-1283, concurring with the Controller's certification that automated parking citation processing and collections services can continue to be practically performed by a private contractor at a lower cost than if the work were performed by City employees, is a policy decision for the Board of Supervisors because its approval is dependent on Board of Supervisors approval of File 02-1284.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Attachment I-A

Department of Parking and Traffic
PRWT Contract
Citation Processing Fees
8/13/2002

	Actual			Projected			
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
First 2 million citations	2.405	2.355	2.29	2.29	2.29	2.29	
Next 250K	2.19	2.14	2.09	2.09	2.29	2.29	
Next 250K	1.69	1.64	1.59	1.59	1.75	1.75	
Next 250K	1.18	1.14	1.13	1.13	1.24	1.24	
Next 250K	0.93	0.93	0.93	0.93	1.02	1.02	
Over 3 million	0.73	0.73	0.73	0.73	0.8	0.8	
Citations Processed							
First 2 million citations	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	
Next 250K	52,643	250,000	250,000	250,000	250,000	250,000	
Next 250K		61,261	190,947	77,210	71,881	71,881	
Next 250K							
Next 250K							
Over 3 million							
Total Citations Processed	2,052,643	2,311,261	2,440,947	2,327,210	2,321,881	2,321,881	13,775,823
Costs							
First 2 million	4,810,000	4,710,000	4,580,000	4,580,000	4,580,000	4,580,000	
Next 250K	115,288	535,000	522,500	522,500	572,500	572,500	
Next 250K		100,468	303,606	122,764	125,792	125,792	
Next 250K							
Next 250K							
Over 3 million							
Total Citation Processing Costs	$ 4,925,288	$ 5,345,468	$5,406,106	$ 5,225,264	$ 5,278,292	$ 5,278,292	$ 31,458,709

City and County of San Francisco

SAN FRANCISCO
DPT
DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

Equipment provided by PRWT at beginning of contract

SAN FRANCISCO PCPS EQUIPMENT LIST	
QTY	DESCRIPTION
Citation And Hearing Division 1380 Howard Street	
1	Compaq Prosignia 200 File Server 233 mhz, 128 ram, (2) 4 gb hd, duplex configuration 4/8 gb 4 mm DAT, CDROM Netware 4.11 (100 users), Managewise 2.2 ArcServe 6.1 (Enterprise Edition)
57	HP Vectra Pentium 200 Workstations 200 mhz, 32mb ram 1.6gb hard disk, 3.5" FDD 15" SVGA Monitor, Intel Pro 10/100 NIC Win 95, Wall Data Rumba Office Report View client, R&R (or comparable) report writer Adjudication Support System Client Software (for hearing examiners)
11	Fully configured cashiering workstations HP Vectra Pentium 200 mhz, 32 ram, 1.6 gb hd, 3.5" FDD 15" SVGA Monitor, Intel Pro 10/100 NIC Perry 1112 cash Drawer Epson 950 receipt printer/check endorser Win 95 Cashiering client software
5	HP Laserjet 5M printers
1	Cisco 2503 Router
4	Bay Network Baystack 24 Port Hub, 10 Base-
1	Adtran T1 CSU DSU
1	Motorola ISDN BRI NT1
DPT Administration 25 Van Ness	
4	HP Vectra Pentium 200 Workstations 200 mhz, 32ram 1.6 gb hd, 3.5" FDD 15" SVGA Monitor, Intel Pro 10/100 NIC Win 95, Wall Data Rumba Office Report View Client R&R report writer
1	HP Laserjet 5M printer
Residential Permit Parking 370 Grove Street	
10	HP Vectra Pentium 200 Workstations 200 mhz, 32ram 1.6 gb hd, 3.5" FDD 15" SVGA Monitor, Intel Pro 10/100 NIC Win 95, Wall Data Rumba Office

SAN FRANCISCO PCPS EQUIPMENT LIST	
QTY	**DESCRIPTION**
	Report View Client R&R report writer Adjudication Support System client software (for hearing examiners)
4	Fully configured cashiering workstations HP Vectra Pentium 200 Processor 200 mhz, 32 ram, 1.6 gb hd, 3.5" FDD 15" SVGA Monitor, Intel Pro 10/100 NIC Perry 1112 cash Drawer Epson 950 receipt printer/check endorser DB9 to DB25 serial Cable WFW 3.11, cashiering client software
4	HP Laserjet 5M printer
	Enforcement 505 7th Street
2	2 HP Vectra Pentium 200 HRS Base Station 200 mhz, 32ram, 1.6gb hd, 3.5" FDD 15" SVGA Monitor, Intel Pro 10/100 NIC WN 95, Handheld Base Station Software client software
1	HP Laserjet 5M printer
255	Handheld terminal cradles
255	Husky FS2 Handheld Terminals
255	O'Neill portable printers
255	Cables to connect cradles to base station
	Enforcement 2323 Cesar Chavez
1	HP Vectra Pentium 200 HRS Base Station 200 mhz, 32ram, 1.6gb hd, 3.5" FDD 15" SVGA Monitor, Intel Pro 10/100 NIC Handheld Base Station client software
1	HP Laserjet 5M printer **(HP 4000N)
	Imaging System
2	PC scanning workstations
2	Scanners
1	File jukebox server
1	Image server

Equipment Purchased during contract term

	Enforcement, 505 7th Street
33	Handheld terminal cradles
33	Husky FS2 Handheld Terminals
33	O'Neill portable printers
33	Cables to connect cradles to base station
	Licensing for ticket issuance software, HH integration software, import export module, A/V software module, Sybase SQL server
	Misc supplies (printer spindles, belt mounts, etc.)

Projection for Equipment during contract extension

	Enforcement, 505 7th Street
35	Handheld terminal cradles
35	Husky FS2 Handheld Terminals
35	O'Neill portable printers
35	Cables to connect cradles to base station
	Licensing for ticket issuance software, HH integration software, import export module, A/V software module, Sybase SQL server
	Base station
	Misc supplies (printer spindles, belt mounts)

City and County of San Francisco

SAN FRANCISCO DPT DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

MEMORANDUM

To:	Harvey M. Rose, Budget Analyst, Board of Supervisors
From:	Julia Dawson, Deputy Director, Administration and Finance
Through:	Fred M. Hamdun, Executive Director
Subject:	Questions on PRWT Contract Extension
Date:	August 19, 2002

1) How is citation collection performance directly related to the PRWT contract?

The PRWT contract has allowed the City to receive more payments on parking citations sooner, which ultimately results in higher revenue. For parking citation collections, the sooner that the City can notice a citation, the more likely it is to receive a payment for that citation. As time passes, it becomes more likely that the vehicle will change ownership, making it much more difficult to collect any parking citation written against its license plate.

Since we have entered into the PRWT contact, our payment rate on citations has increased from 69% to 78%, resulting in higher collected parking fine revenues. Parking and Traffic has not altered the way that it performs enforcement and collection functions except for the changes that are a direct result of the PRWT contract. DPT now writes about ninety-five percent of its parking citations using electronic handheld ticket writers. The electronic tickets are easy to read, survive the weather better than the paper forms, and are written more accurately. As a result, electronic tickets are easier to collect. The PRWT processing system has enabled the City to collect on parking citations through improved access to name and address from the DMV computer at the time of the initial request, quicker, clearer and more frequent noticing, and more reliable placement of DMV holds for delinquent citations. In any collection business, the sooner an agency can request payment for amounts owed, the more likely it is to collect on its fees.

2) Why did DPT set a $49 million not to exceed amount in the contract?

DPT assumed the following additional payments for the $49 million not to exceed amount:

- In first four years of the contract, DPT will spend $29,293,226.
- $5.28 million in citation processing costs each year. This number builds in some flexibility for the potential for higher citation issuance.
- $660,000 in postage for the first year and $720,000 in postage for the second year. We assumed an increase in the postal rate in the second year.
- $2.1 million in special collections payments each year for a total of $4.2 million

- $35,000 each year for new equipment purchases that we would need to make through the contract. We have made such purchases over the term of the contract and need to build in this ability in the extension.
- $30,000 each year for repairing damaged items. We derived this amount from our actual expenses over the term of the contract.
- We added a 10% contingency in case we are asked to deploy Parking Control Officers for upcoming construction projects, such as the Bay Bridge Retrofit and the Central Freeway, and they need additional equipment. This 10% is $1.6 million.
- The total of all of these figures is $17.9 million for a total contract spending estimate amount of $46.9 million over six years.
- We rounded the not to exceed amount of the contract up to $49 million to include purchasing ability for unanticipated events, such as higher issuance and higher special collections. All of these increased costs would directly benefit the City because they would also generate higher revenues.

3) What were the modifications in the first contract amendment. Did the amendment require the approval of the Board of Supervisors? Why or why not?

The first contract amendment allowed Parking and Traffic to purchase budgeted equipment, such as handheld ticket writers and related software and computer equipment, through the contract. It also allowed DPT to pay for the cost of repairs to damaged equipment that was not covered under warranty. Because this amendment had little fiscal impact, it did not require the approval of the Board of Supervisors.

4) What criterion does DPT use for designating citations as uncollectable? What does PRWT do to collect such citations?

The special collections program criteria are as follows:

- Citations returned by mail
- Out of state unpaid citations
- Citations rejected by the DMV system. This category includes address requests, hold requests, returned requests, no registered owner infonnation
- DMV holds over one year old
- Leased or rented vehicles
- Declaration of non-ownership
- Fleet vehicles

PRWT collects on these citations using a variety of methods, including specially designed notices, multiple notices, sending notices to other state department of motor vehicles, and obtaining addresses from other data sources, such as the post office or other public or private agencies. PRWT tracks the effectiveness of all of these strategies, choosing which one is most cost effective. PRWT also manages the administrative duties of the leased, rented, and fleet vehicle programs. DPT reviews and approves all of the collection strategies that PRWT uses.

Parking and Traffic has not developed collections program criteria for two categories: citations returned by mail and declaration of non-ownership. DPT plans to develop these additional collections categories in contract year 5 and 6.

5) Why is DPT projecting a revenue increase for the special collections program in contract year 5 and 6?

DPT is projecting higher revenue in contract years 5 and 6 because it plans to develop program criteria and begin to collect on the two collection categories (returned mail, declaration of non-ownership) that were a part of the original contract but were never implemented. DPT also expects PRWT to increase the number of rental car companies and fleets that participate in those two collections program.

6) How much parking fine revenue was generated in FY 2001/02? How was the revenue allocated?

Currently, the City's accounting system shows $68,468,717 in parking fine revenue, of which $1.2 million goes to the Port of San Francisco and the remainder is credited to the Municipal Railway. This amount is still being adjusted by our accounting unit and may increase before the fiscal year is closed.

7) What is the total estimated cost of repairs for corrosion of the print heads to the handheld ticket printers in total and on a per year basis?

DPT estimates that the total cost of repairs for corrosion, based on our current level of expenditures for such repairs, is $10,000 per year. We negotiated a 10% cost increase for repairs in the second year.

8) How many RPP renewals are anticipated to be processed annually? Who currently provides RPP renewal services? Will having PRWT provide such services result in additional costs or savings to the City?

DPT estimates that RPP has about 40,000 renewals annually. Currently, DPT employees open and process the mail for these renewals. Due to limited staff resources, the RPP office frequently falls behind in processing mail, resulting in extending RPP areas and a potential loss of revenue from extending permit area renewal periods and suspending citation writing on expired permits for that period of time. Lockbox processing of permit renewals will improve DPT's ability to send out new permits in a timely manner. Increased citation revenues will most likely offset the increased cost for the lockbox service.

9) Has this contract received an annual Prop J certification? If not, why not.

DPT has not submitted this contract for an annual re-certification because of an accidental oversight due to limited resources. This contract has been re-certified by the Controller and the documentation is a companion item to this legislation.

10) Why is the cost per citation increasing by 10% in the two-year extension period?

The cost for the first two million citations remains the same for contract year 5 and 6. Processing costs will increase only for citations issued above that threshold. DPT negotiated various service improvements, new services, new maintenance requirements, and computer replacement parts in the proposed contract extension. All of these negotiated improvements will result in increased costs to our vendor. DPT researched the percentage increase in the nationwide CPI between 1998 and 2002, which was 10% according to the U.S. Department of Labor, Bureau of Labor Statistics Inflation Calculator, and proposed to adjust the pricing in the contract by 10 percent for citations issued over the 2 million threshold to compensate the vendor for providing additional services. Since Parking and Traffic issues 2.2 million citations per year, the increased cost is only on citations over the 2 million threshold, which is a small percentage of our overall issuance.

Department of Parking and Traffic
PRWT Contract
8/13/2002

	Citation Processing Fees	Special Collection Fees	Postage Costs	Equipment Repair	Equipment Purchase	Caltrans Projects Contingency	Total
Year 1	$ 4,925,288	$ 233,177	$ 203,107				$ 5,361,572
Year 2	$ 5,345,468	$ 2,153,797	$ 579,991				$ 8,079,256
Year 3	$ 5,406,106	$ 2,003,913	$ 628,713		$ 239,170		$ 8,277,902
Year 4	$ 5,225,264	$ 1,640,472	$ 660,000	$ 48,760			$ 7,574,496
Subtotal	**$ 20,902,126**	**$ 6,031,359**	**$ 2,071,811**	**$ 48,760**	**$ 239,170**	**$ -**	**$ 29,293,226**
Year 5	$ 5,278,292	$ 2,100,000	$ 660,000	$ 30,000	$ 35,000	$ 800,000	$ 8,903,292
Year 6	$ 5,278,292	$ 2,100,000	$ 720,000	$ 30,000	$ 35,000	$ 800,000	$ 8,963,292
Subtotal	**$ 10,556,584**	**$ 4,200,000**	**$ 1,380,000**	**$ 60,000**	**$ 70,000**	**$ 1,600,000**	**$ 17,866,584**
Grand Total	**$ 31,458,710**	**$ 10,231,359**	**$ 3,451,811**	**$ 108,760**	**$ 309,170**	**$ 1,600,000**	**$ 47,159,810**

Department of Parking and Traffic
PRWT Contract
Special Collections Accounts
Citations by contract year

8/15/2002

Collection Account Type	Year 1	Year 2	Year 3	Year 4	Total
Out of State Citations	21,201	189,593	74,289	49,831	334,914
DMV Hold Rejects	245,065	299,351	129,070	133,547	807,033
No DMV Returns	63,349	50,847	39,882	34,858	188,936
Aged DMV Holds	1	282,245	183,339	154,869	620,454
Rental		38,948	54,096	38,073	131,117
Fleet				14,418	14,418
Total	329,616	860,984	480,676	425,596	2,096,872

City and County of San Francisco

SAN FRANCISCO DPT DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

MEMORANDUM

To: Harvey M. Rose, Budget Analyst, Board of Supervisors

From: Julia Dawson, Deputy Director, Administration and Finance

Through: Fred M. Hamdun, Executive Director

Subject: Special Collections

Date: August 23, 2002

1) Why were fleet and rental vehicles assigned as a special collection?

DPT has designated a variety of types of citations that require special effort or collection strategies to be more effective and produce additional revenue for the City. In the interest of expanding participation in certain specialized collection programs that require additional administrative effort and analysis, Parking and Traffic assigned rental citations in January 2001 and the fleet program in January 2002.

Maintaining an effective collection effort on rental and fleet vehicles requires additional administrative and programming effort. For the fleet program, PRWT must recruit new companies to participate. Without belonging to the fleet program, each citation is noticed individually, making it less likely that it will be collected. Each company assigns specific vehicles to participate in the program, which must be entered into the system and updated continuously as the fleet changes. As a result of their participation, each company receives a monthly invoice that combines all of the citations issued to each participating plate. Every month, these bills need to be analyzed and adjusted for discrepancies between the City's and the company's records. For the rental vehicle program, recruitment of new companies is also vital, because without information from the rental car companies, the citations are not collectable. Each rental car company receives a monthly download of records for vehicles in its fleet that were issued citations. After reviewing these records, PRWT must reconcile and enter the rental customer for each vehicle so that they can be noticed for the citation. To be effective, both of these programs require continuous, consistent and effective administration, maintenance of records, software modifications and enhancements, and detailed updating of records in the citation processing system.

Parking and Traffic has not historically maintained these types of programs on a large scale and did not have the staff resources to market the program and increase the collection on these types of citations. One of the goals of the PRWT contract was to

improve service while also improving collections. The assignment of these programs as collection accounts was one way of accomplishing this goal. If PRWT is not successful at increasing participation and collections in these programs, DPT can remove them from the collection program.

Attachment IV

Department of Parking and Traffic
Parking Citation Revenues
8/13/2002

Baseline Data from FY 1997/98		
Total Citations Issued		2,274,000
Total Net Revenue	$	49,800,000
Average Citation Amount	$	33.00
Average Fine Amount	$	27.00
Collection Rate		69%
Number of payments and closures		1,569,060

	Actual			Projected			
Citation Revenue	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Total**
Total citations processed	2,052,643	2,311,261	2,440,947	2,327,210	2,321,881	2,321,881	13,775,823
Fine revenue collected	$ 51,358,627	$ 61,339,703	$ 59,862,758	$64,224,524	$ 63,287,992	$63,287,992	$ 363,361,595
Number of payments	1,496,445	1,804,199	1,903,939	1,815,224	1,811,067	1,811,067	10,641,941
Collection rate	73%	78%	78%	78%	78%	78%	
% increase in collection	4%	9%	9%	9%	9%	9%	
Average payment amount	$ 25.02	$ 26.54	$ 24.52	$ 27.60	$ 27.26	$ 27.26	
Additional revenues from higher collection rate	$ 1,558,627	$ 11,539,703	$ 10,062,758	$14,424,524	$ 13,487,992	$13,487,992	$ 64,561,595
Special Collections							
Special collections revenue	$ 685,816	$ 6,334,697	$ 5,893,863	$ 4,824,917	$ 6,176,471	$ 6,176,471	$ 30,092,235
Fees to vendor for special collections	$ 233,177	$ 2,153,797	$ 2,003,913	$ 1,640,472	$ 2,100,000	$ 2,100,000	$ 10,231,360
Actual net revenues to the City from special collections	$ 452,639	$ 4,180,900	$ 3,889,950	$ 3,184,445	$ 4,076,471	$ 4,076,471	$ 19,860,875
Total additional parking fine revenues to the City	$ 2,011,266	$ 15,720,603	$ 13,952,708	$17,608,969	$ 17,564,462	$17,564,462	$ 84,422,470

Attachment V

Department of Parking and Traffic
Parking Citation Processing Costs and Revenue
PRWT contract
8/13/2002

Expenses	Actual Year 1	Actual Year 2	Actual Year 3	Projected Year 4	Projected Year 5	Projected Year 6	Total
Total citations processed	2,052,643	2,311,261	2,440,947	2,327,210	2,321,881	2,321,881	13,775,823
Average cost per citation	2.40	2.31	2.21	2.25	2.27	2.27	
Total citation processing cost	$ 4,925,288	$ 5,345,468	$ 5,406,106	$ 5,225,264	$ 5,278,292	$ 5,278,292	$ 31,458,709
Savings in DPT processing costs	$ (1,060,660)	$ (1,060,660)	$ (1,060,660)	$ (1,060,660)	$ (1,060,660)	$ (1,060,660)	$ (6,363,960)
Lockbox savings to Treasurer	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (300,000)	$ (1,800,000)
Additional processing costs to City	**$ 3,564,628**	**$ 3,984,808**	**$ 4,045,446**	**$ 3,864,604**	**$ 3,917,632**	**$ 3,917,632**	**$ 23,294,749**
Revenues							
Collection rate	73%	78%	78%	78%	78%	78%	
Additional revenue from higher collection rate	$ 1,558,627	$ 11,539,703	$ 10,062,758	$ 14,424,524	$13,487,992	$ 13,487,992	$ 64,561,595
Net revenue from special collections	$ 452,639	$ 4,180,900	$ 3,889,950	$ 3,184,445	$ 4,076,471	$ 4,076,471	$ 19,860,875
Deduction for fine increase				$ (1,623,823)	$ (2,165,098)	$ (2,165,098)	$ (5,954,019)
Deduction for second notice	$ (187,972)	$ (100,913)	$ (210,850)	$ (193,146)	$ (173,220)	$ (173,220)	$ (1,039,322)
Additional revenue to the City	**$ 1,823,294**	**$ 15,619,690**	**$ 13,741,858**	**$ 15,792,000**	**$15,226,144**	**$ 15,226,144**	$ 77,429,130
Net revenue (loss) gain to City	**$ (1,741,335)**	**$ 11,634,882**	**$ 9,696,412**	**$ 11,927,396**	**$11,308,512**	**$ 11,308,512**	**$ 54,134,380**

Attachment VI

Department of Parking and Traffic
PRWT contract
Comparision of Estimated to Actual Net Parking Citation Revenues
8/14/2002

	Year 1	Year 2	Year 3	Year 4	Total
Revenue from increased collection rate					
Estimated	1,227,960	2,455,920	3,683,880	4,911,840	12,279,600
Actual	1,558,627	11,539,703	10,062,758	14,424,524	37,585,612
Difference	**330,667**	**9,083,783**	**6,378,878**	**9,512,684**	**25,306,012**
Revenue from special collections					
Estimated	3,811,500	2,640,000	825,000	-	7,276,500
Actual	452,639	4,180,900	3,889,950	3,184,445	11,707,934
Difference	**(3,358,861)**	**1,540,900**	**3,064,950**	**3,184,445**	**4,431,434**
Additional Processing Costs					
Estimated	(4,068,060)	(3,954,360)	(3,840,660)	(3,840,660)	(15,703,740)
Actual	(3,564,628)	(3,984,808)	(4,045,446)	(3,864,604)	(15,459,486)
Difference	**503,432**	**(30,448)**	**(204,786)**	**(23,944)**	**244,254**
Total Estimated	971,400	1,141,560	668,220	1,071,180	3,852,360
Total Revenue and Processing Costs	(1,553,362)	11,735,795	9,907,262	13,744,365	33,834,060
Deductions for fine increase and notices	(187,972)	(100,913)	(210,850)	(1,816,969)	(2,316,704)
Total Actual Benefit	(1,741,334)	11,634,882	9,696,412	11,927,396	31,517,356
Total Difference	(2,712,734)	10,493,322	9,028,192	10,856,216	27,664,996

City and County of San Francisco

SAN FRANCISCO DPT DEPARTMENT OF PARKING & TRAFFIC

WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMDUN, EXECUTIVE DIRECTOR

MEMORANDUM

To: Harvey Rose, Budget Analyst

From: Julia Dawson, Deputy Director, Administration and Finance

Through: Fred M. Hamdun, Executive Director

Subject: Additional Information Requested on PRWT contract

Date: August 19, 2002

1) Why did the PRWT contract show a loss in the first year of operation?

The Board of Supervisors requested that Parking and Traffic offer an amnesty program as it implemented the new parking citation collection system. This amnesty program was meant to allow individuals with older tickets to pay them at the original fine amount before the citations would be assigned to the special collections program. As a result, DPT could not implement the special collections program until the amnesty period expired and all of the amnesty payments were processed. DPT sent out its first test collections notices in May 1999, increased its number of notices in January 2000, and began sending notices in significant number in March 2000. The delay moved the financial benefits of collections program into the second and third contract years.

2) Why did DPT report a net revenue increase for the first seven months of the contract (Dec 1998 through June 1999) in October 1999 of $1,868,086 and is now reporting a loss of $1.7 million in the first year of the contract?

In October 1999, DPT did not have any reports that showed the collection rate on citations issued in that year. Instead, DPT estimated the contract benefit by comparing the average payment per citation before and after contract implementation. DPT compared actual parking fine revenue collected in FY 1998/99, $56,634,262, and subtracted the amount it estimated that the City would have collected using an average amount collected per citation ($23.4 per citation multiplied by 2,40,281 citations = 52,422,575). Using that methodology, DPT estimated a $1,868,086 million increase in collections over fiscal year 1998/99. With the reports available today, DPT can accurately track payments on the number of citations issued each month and show a true collection rate.

3) What are the benefits of lockbox services for Residential Permit Parking?
In the extension to the agreement with PRWT Services, DPT is proposing to add lockbox services for renewals of residential parking permits. Currently, DPT employees manually process each RPP renewal payment by opening each envelope, verifying the information submitted by the public, and processing the check using the cashiering system. Because of the varying size and number of permits in each residential permit area, some processing months are so busy that the 14 full-time program staff cannot process these payments in a timely manner. The processing delays encourage people to renew in person, which forces DPT to reassign clerks from mail processing to handling in-person transactions. At least six times a year, DPT is forced to delay enforcement for a permit area for at least one month so the staff can process the mail, resulting in lost citation revenue because old permits are still valid. DPT cannot quantify these losses because it cannot measure how many citations may not have been written because of delayed permit processing.

To implement lockbox processing, PRWT would change the notices that are sent to individuals renewing their permits so that the returned notices could be scanned by a computer. Once scanned, the system applies the payments to an account automatically. After the payments are processed, DPT staff will issue the permits. These payment changes will benefit the public because they will not need to visit the RPP offices to ensure that they have a valid and current permit. With the improved service, enforcement officers will not need to honor expired permits, ensuring more available parking for residents.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Parking and Traffic

CONTRACT SERVICES: Automated Parking Citation Processing and Collections System

CONTRACT PERIOD: Two years from contract amendment approval

(1) Who performed the activity/service prior to contracting out?

Existing Contract was awarded by the Board of Supervisors and commenced September 24, 1998 for four years. Prior to that it was performed by the Trial Court Computer Information Services Group.

(2) How many City employees were laid off as a result of contracting out?

No City employees will be, or have been, laid off as a result of this contract.

(3) Explain the disposition of employees if they were not laid off.

N/A

(4) What percentage of City employees' time is spent of services to be contracted out?

N/A

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

This service has been contracted out for the last four years. This will likely be an on-going request for contracting out but will be analyzed in detail prior to any new award.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

The first year was 1998 when four-year contract was approved by the Board of Supervisors. It was not certified for each subsequent year.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

The contract meets the department's MBE/WBE action plan and was certified by HRC.

(8) Does the proposed contractor provide health insurance for its employees?

Yes

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Yes to both questions.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Yes

Department Representative: Steve Bell

Telephone Number: 554-9825

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

Wednesday, October 02, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Sophie Maxwell.

MEETING CONVENED

The meeting convened at 12:40 p.m.

Note: The Chair intends to entertain a motion to continue consideration of the following item, File 021315, to the October 9, 2002, meeting:

021315 **[Contracting out Janitorial Services]**

Resolution concurring with the Controller's Certification that janitorial services can be practically performed at the Asian Art Museum under private contract at a lesser cost than similar work performed by employees of the City and County. (Asian Arts Commission)

7/29/02, RECEIVED AND ASSIGNED to Finance Committee.

8/21/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Dr. Emily Sano, Director, Asian Art Museum; Monique Zmuda, Deputy Controller; Linus Black; Rebecca Miller, SEIU, Local 790; Andre Spearmon, SEIU, Local 790; Ben Rosenfield, Mayor's Budget Office.
Continued to 9/25/02.

9/25/02, CONTINUED. Speakers: None.
Continued to 10/2/02.

Speakers: None.
Continued to 10/9/02.

CONTINUED by the following vote:
Ayes: 3 - Peskin, Daly, Maxwell

021291 **[Accept-Expend Federal Grant]**

Resolution authorizing the Airport Commission to accept and expend a Federal Airport Improvement Program grant in the amount of $5,291,558.00 from the U.S. Department of Transportation Federal Aviation Administration, and approving Modification Nos. 4 and 5 to Contract No. 4240.1 for preparation of environmental impact studies for the proposed runway reconfiguration project, for a total contract amount not to exceed $19,741,558. (Airport Commission)

(Public Benefit Recipient.)

7/24/02, RECEIVED AND ASSIGNED to Finance Committee.

9/25/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Stuart Sunshine, Airport; Eileen Bogan, SPEAK; Amy Quark, Alliance for a Clean Waterfront.
Continued to 10/2/02.

Heard in Committee. Speaker: Stuart Sunshine, Airport.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution authorizing the Airport Commission to accept and expend a Federal Airport Improvement Program grant in the amount of $5,291,558.00 from the U.S. Department of Transportation Federal Aviation Administration, and approving Modification Nos. 4 and 5 to Contract No. 4240.1 for preparation of environmental impact studies for the proposed runway reconfiguration project, for a total contract amount not to exceed $16,200,730. (Airport Commission)

(Public Benefit Recipient.)
(Supervisor Daly dissenting in Committee)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, Maxwell
Noes: 1 - Daly

021611 **[Actions being implemented by the Mayor's Office to minimize the current year's (2002-03) budget deficit]**

Supervisor Peskin

Hearing regarding actions being implemented by the Mayor's Office to minimize the current year's (2002-03) budget deficit, including the postponement of certain previously approved programs.

9/23/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Ben Rosenfield, Mayor's Budget Office; Yvonne Mere; Female Speaker; Kevin Hickey, Jewish Vocational Services; John Avalos, Coleman Advocates for Children and Youth; Jill Fox; Margaret Brodkin, Director, Coleman Advocates for Children and Youth; Anita Moran, San Francisco Child Abuse Prevention Center; Male Speaker; NTanya Lee, Coleman Advocates for Children and Youth; Jill Pfeiffer, Oasis; Troy Arnold, Health Initiatives for Youth (HIFY); Linda Asato, Wu Yee Children's Services; Gaylon Logan, Jr., Executive Director, Infusion-One; Mai-Mai Ho, Asian Perinatal Advocates; Eric Mar, San Francisco Board of Education; Neil Gendel, Healthy Children Organizing Project; Julie Kavanagh, Visitacion Valley Community Center; Russell Murphy, President, Mission Youth Soccer League; Jim Richards, Boys and Girls Clubs, San Francisco; Andrew Scott, YMCA, Mission Branch; Hilary Weheitz (speaking on behalf of Teresa Gallegos), Coleman Advocates for Children and Youth; Mauricio Vela, Bernal Heights Neighborhood Center; Carlos Serrano-Quan, Community Youth Center (CYC); Maria Gustory; Rebecca Vilkomerson, Homeless Prenatal Program, Peoples Budget; Margaret Libby, Youth Leadership Institute; Emily Drebrow, Huckleberry Youth Programs, Children's Fund Citizens Advisory Committee; Hydra Mendoza, Executive Director, Parents for Public Schools; Jana S.; Cynthia Williams, Executive Director, Whitney Young Child Development Center; Sandra Fewer; Commissioner Tanene Allison, Chair, Youth Commission; Barbara Bell, Social Worker, Hearing Society; Rosa Pascual; Voss Luis Pavon, Coleman Advocates for Children and Youth; Salle Hopkins, SoMA Partnership; Joe Wilson, Coleman Advocates for Children and Youth; Brenda Lopez, Director, Department of Children, Youth and Their Families.
Continued to 11/13/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021354 **[Special Funds - Children's Fund and Open Space Fund]**

Supervisor Peskin

Hearing to address the Mayor's Office use of the special funds like the Children's Fund and Open Space Fund to balance the fiscal year 2002-03 Budget. The hearing will address how revenues for these funds can be better projected; and how the City can assure the public that these funds will not be used for such purposes again.

7/29/02, RECEIVED AND ASSIGNED to Budget Committee.

8/14/02, TRANSFERRED to Finance Committee. Request to transfer made by sponsor.

Heard in Committee. Speakers: Ben Rosenfield, Mayor's Budget Office; Yvonne Mere; Female Speaker; Kevin Hickey, Jewish Vocational Services; John Avalos, Coleman Advocates for Children and Youth; Jill Fox; Margaret Brodkin, Director, Coleman Advocates for Children and Youth; Anita Moran, San Francisco Child Abuse Prevention Center; Male Speaker; NTanya Lee, Coleman Advocates for Children and Youth; Jill Pfeiffer, Oasis; Troy Arnold, Health Initiatives for Youth (HIFY); Linda Asato, Wu Yee Children's Services; Gaylon Logan, Jr., Executive Director, Infusion-One; Mai-Mai Ho, Asian Perinatal Advocates; Eric Mar, San Francisco Board of Education; Neil Gendel, Healthy Children Organizing Project; Julie Kavanagh, Visitacion Valley Community Center; Russell Murphy, President, Mission Youth Soccer League; Jim Richards, Boys and Girls Clubs, San Francisco; Andrew Scott, YMCA, Mission Branch; Hilary Weheitz (speaking on behalf of Teresa Gallegos), Coleman Advocates for Children and Youth; Mauricio Vela, Bernal Heights Neighborhood Center; Carlos Serrano-Quan, Community Youth Center (CYC); Maria Gustory; Rebecca Vilkomerson, Homeless Prenatal Program, Peoples Budget; Margaret Libby, Youth Leadership Institute; Emily Drebrow, Huckleberry Youth Programs, Children's Fund Citizens Advisory Committee; Hydra Mendoza, Executive Director, Parents for Public Schools; Jana S.; Cynthia Williams, Executive Director, Whitney Young Child Development Center; Sandra Fewer; Commissioner Tanene Allison, Chair, Youth Commission; Barbara Bell, Social Worker, Hearing Society; Rosa Pascual; Voss Luis Pavon, Coleman Advocates for Children and Youth; Salle Hopkins, SoMA Partnership; Joe Wilson, Coleman Advocates for Children and Youth; Brenda Lopez, Director, Department of Children, Youth and Their Families. Continued to 11/13/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021219 **[Tax Penalty Amnesty Program]**

Supervisor McGoldrick

Ordinance amending the San Francisco Business and Tax Regulations Code to: (i) amend Article 17 thereof to establish a two month business tax penalty amnesty program during the 2002 - 2003 fiscal year, and (ii) amend Article 6 thereof to increase penalties for failing to pay taxes, underreporting of taxes, failing to file a tax return and failing to obtain a business registration certificate.

7/8/02, RECEIVED AND ASSIGNED to Finance Committee. (7/16/02 - Referred to Small Business Commission for comment and recommendation.)

Speakers: None.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, Maxwell
Absent: 1 - Daly

021417 [Eliminating the Mayor's Office Cash Revolving Fund]
Mayor
Ordinance amending the San Francisco Administrative Code by repealing Section 10.148, to eliminate the Mayor's Office cash revolving fund. (Mayor)
8/12/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speaker: Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:
Ayes: 2 - Peskin, Maxwell
Absent: 1 - Daly

021526 [New Mission Bay Branch Library]
Mayor
Ordinance approving and authorizing the Director of Property to execute an Agreement of Purchase and Sale of Real Property with the Redevelopment Agency of the City and County of San Francisco for the purchase of a new Mission Bay Branch Library of the San Francisco Public Library to be constructed and located on land that is referred to herein as Parcel N3a-1 fronting on 4th Street between Berry Street and the Mission Creek Channel within the Mission Bay North Redevelopment Plan Area; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this Ordinance. (Mayor)

(Fiscal impact.)
8/26/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Susan Hildreth, City Librarian; Marcia Rosen, Executive Director, Redevelopment Agency; Marilyn Thompson, Project Manager, Public Library.
Amended on page 6, line 14, after "the," by adding "Subject to the provisions of Section below." Further amended on page 7, line 4, by adding the following:
"Section 4. The foregoing notwithstanding, the Director of Property shall not sign the Agreement unless and until the appropriate provisions of the Agreement and its exhibits are modified to provide that in the event the City elects to terminate the Agreement because the Purchase Price adjusted as described in Section 1.J above exceeds $3,430,350, the City may terminate the Agreement by paying the Agency's actual costs for redesigning the Library Parcel for another use up to an amount not to exceed what the Agency has incurred for the design of the library improvements to the Library Parcel up to the date of termination, which City payment together with the amount incurred by the Agency shall not exceed $600,000.00.
"Section 5. In the event that the Purchase Price, adjusted as described in Section 1.J above, exceeds $3,430,350, the City shall not proceed to purchase the Library Parcel without further approval from the Board of Supervisors."

AMENDED.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Daly, Maxwell

ADJOURNMENT

The meeting adjourned at 3:28 p.m.

0.25
/2/02

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

September 26, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: October 2, 2002 Finance Committee Meeting

Item 1 – File 02-1315

Note: This item was continued from the September 25, 2002 Finance Committee Meeting.

Department: Asian Art Museum

Item: Resolution concurring with the Controller's certification that janitorial services at the Asian Art Museum can be practically performed by a private contract at a lower cost than similar work services performed by City and County employees.

Services to be Performed: Janitorial services at the Asian Art Museum

Description: Charter Section 10.104 provides that the City may contract with private firms for services that can be practically performed for a lower cost than similar work performed by City employees.

The Controller has determined that contracting for janitorial services at the Asian Art Museum for FY 2002-03 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$441,559	$522,290
Fringe Benefits	138,536	151,227
Equipment	10,284	10,284
Total	$590,379	$683,801
Contractual Services Cost*	(372,527)	(372,921)
Estimated Savings	$217,852	$310,880

* The Contractual Services Cost difference is due to the inclusion of City contract monitoring costs at the lowest and highest salary steps.

Comments:

1. The Asian Art Museum closed its operations at its Golden Gate Park facility on October 7, 2001 and will reopen at its new Civic Center facility in January of 2003. In the past, the M.H. de Young Museum and the Asian Art Museum used to be located in the same building in Golden Gate Park. Janitorial services for the shared portions of the Golden Gate Park facility, including the entry way and the restrooms, were provided by 2.0 FTE 2708 Custodian positions and funded in the Fine Arts Museum budget. Mr. Steve Dykes of the Fine Arts Museum reports that the 2.0 FTE 2708 Custodian positions that provided janitorial services for the shared portions of the Golden Gate Park facility continue to be included in the Fine Arts Museum budget. Mr. Dykes further reports that these two positions currently provide janitorial services at the Palace of the Legion of Honor.

In addition to the 2.0 FTE 2708 Custodian positions included in the Fine Arts Museum budget, for the past nine years, the Asian Art Museum Foundation has paid approximately $55,000 per year for a janitorial services contract for the upkeep of the Asian Art Museum exhibit space and administrative offices at the Golden Gate Park facility, according to Ms. Ikuko Satoda of the Asian Art Museum. According to Ms. Satoda, the janitorial services contract for upkeep of Asian Art Museum space at the Golden Gate Park facility, paid for by the Asian Art Museum Foundation, was terminated when the Asian Art Museum closed its operations at its Golden Gate Park

facility in October of 2001. In the attached memorandum (Attachment I), Ms. Satoda provides additional information on the provision of custodial services at the Asian Art Museum.

Ms. Satoda advises that the janitorial services contract for upkeep of the Museum's new Civic Center facility is anticipated to begin on November 1, 2002. Therefore, the Fiscal Year 2002-03 Asian Art Museum budget includes funding of $247,000 for eight months of a janitorial services contract.

2. The Contractual Services Cost used for the purpose of the analysis is based on (a) the Asian Art Museum's estimated FY 2002-03 costs to provide janitorial services for a full 12 months based on the associated workload at the new Civic Center facility and the industry standards for the cost of providing such janitorial services, and (b) the salary and fringe benefits at the lowest and highest salary steps of 0.25 FTE 7120 Buildings and Grounds Maintenance position at the Asian Art Museum to monitor the contract.

3. According to Ms. Emily Sano of the Asian Art Museum, the Department would issue a Request for Proposals (RFP) for the Asian Art Museum's janitorial services contract immediately upon approval of the subject resolution.

4. Attachment II, provided by the Asian Art Museum, is the Controller's supplemental questionnaire, with the responses from the Asian Art Museum.

5. The Budget Analyst notes that a supplemental appropriation ordinance for $490,889 (File 02-1507), which is $117,968 or 31.6 percent more then the proposed contract amount of $372,921 included in the Controller's certification, and a companion Salary Ordinance (File 02-1529) to fund the creation of ten new in-house Civil Service custodian positions for the Asian Art Museum are currently pending in the Finance Committee. This $490,000 pending supplemental appropriation includes $247,000 to be reappropriated from the existing FY 2002-03 Asian Art Museum's budget for the subject janitorial

services contract and $243,889 of additional General Fund monies. Therefore, the Budget Analyst recommends that the proposed resolution (File 02-1315), to approve the Controller's certification that janitorial services at the Asian Art Museum can be performed at a lower cost by a private contractor, should be continued in order to be heard by the Finance Committee at the same time as the pending supplemental appropriation and Salary Ordinance are heard.

Recommendation: Continue the proposed resolution to the Call of the Chair, pending the scheduling of the supplemental appropriation (File 02-1507) and Salary Ordinance (File 02-1529) that would create and fund in-house custodian positions for the Asian Art Museum instead of contracting out for such services.

Attachment I

Asian Art Museum of San Francisco
Memorandum

TO: Anna LaForte, Budget Analyst Office

FROM: Ikuko Satoda, Asian Art Museum

DATE: August 13, 2002

Re: Custodial Services

This memo is in response to your question regarding the City's responsibility in maintaining the City's new building, Asian Art Museum.

For its entire existence the Asian Art Museum has relied on the promise of the City Charter (Sec. 16.106) to maintain the integrity of the Museum and its collections. For most of our history, the City contribution to security, custodial and building maintenance was part of the Fine Arts Museums' budget and to be performed by civil service employees. Nine years ago, due to the budget reduction and administrative oversight, the funds for services provided to FAM by the City were significantly reduced, and one custodial position for the AAM was eliminated. In order to maintain the building at Golden Gate Park at an acceptable level, the Asian Art Foundation has been supplementing the custodial services by engaging outside janitorial services for several years.

Since we are opening a newly renovated facility, which has been paid for largely with private funds as a gift to the City and County of San Francisco, we were assured continuing City support to resume the responsibility of maintaining the City's brand new building by appropriating the costs of custodial services again to the Asian Art Museum.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: _Asian Art Museum_______________

CONTRACT SERVICES: _Janitorial Services_______________

CONTRACT PERIOD: ___One Year_______________

(1) Who performed the activity/service prior to contracting out?

N/A since the facility is brand new.

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

N/A

(4) What percentage of City employees' time is spent of services to be contracted out?

N/A

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Never up to now. It will be ongoing request.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

FY 02-03 will be the first year.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

Meet MBE requirement.

(8) Does the proposed contractor provide health insurance for its employees?

Assumed "yes" since the vendor is on the City approved list.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Assumed "yes" since the vendor is on the City approved list.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Assumed "yes" since the vendor is on the City approved list.

Department Representative: __Ikuko Satoda_______________

Telephone Number: __415-557-6813_______________

Item 2 – File 02-1291

Note: This item was continued by the Finance Committee at its meeting of September 25, 2002.

Department: Airport

Item: Resolution authorizing the Airport Commission to accept and expend a Federal Aviation Administration's Airport Improvement Program grant in the amount of $5,291,558.00 from the U.S. Department of Transportation Federal Aviation Administration. The proposed resolution would also approve Contract Modification Nos. 4 and 5 to Contract No. 4240.1 with URS Corporation for preparation of environmental impact studies for the Airport's proposed runway reconfiguration project, increasing the current contract amount of $11,800,000 by $7,941,558, including the subject grant of $5,291,558, and $2,650,000 from the Airport's FY 2002-2003 capital budget, for a total contract amount not to exceed $19,741,558.

Grant Amount: $5,291,558

Grant Period: June, 2002 through June, 2004 (two years).

Source of Funds: U.S. Department of Transportation Federal Aviation Administration (FAA) Airport Improvement Program (AIP)

Required Match: $1,763,853, funded from the Airport's FY 2002-2003 capital budget.

Indirect Costs: Indirect costs have not been budgeted in order to maximize the funding available for contracted services.

Description: The proposed resolution would authorize the Airport Commission to accept and expend a Federal Aviation Administration (FAA) Airport Improvement Program (AIP) grant in the amount of $5,291,558. On April 18, 2002, the Airport was awarded an AIP grant in the amount of $5,291,558 for the Airport's runway reconfiguration project. The Airport Commission accepted the AIP grant funds on April 29, 2002.

The proposed resolution would also approve Modification No. 4 in the amount of $2,650,000 from existing Airport

capital funds and Modification No. 5 in the amount of \$5,291,558 from the proposed grant funds to be added to the existing contract with URS Corporation (formerly URS Greiner-Woodward Clyde) for the preparation of the Environmental Impact Statement (EIS) and Environmental Impact Report (EIR) for the Airport's proposed runway reconfiguration project. Attachment I, provided by the Airport, describes the Airport's runway reconfiguration project. The EIS/EIR process to be completed by URS Corporation (URS) was divided into three phases: (i) Phase 1 consists of project planning, coordination with Federal agencies, description of baseline environmental conditions, and preliminary environmental analysis; (ii) Phase 2 consists of completion of technical studies and coordination of public involvement necessary for the EIS/EIR, preparation of a draft EIS/EIR, and preliminary public review of the draft EIS/EIR; and (iii) Phase 3 consists of a detailed review of comments on the EIS/EIR, development of responses to comments, and preparation of the final EIS/EIR and supporting documents.

The original contract award to URS of \$1,100,000, effective August 1, 1999, funded only the initial portion of Phase 1. The scope of work and schedule of payments have since been modified three times by the Airport Commission, adding the amounts of \$5,200,000, \$5,000,000, and \$500,000, respectively, for a total contract addition of \$10,700,000. The existing contract, as modified, is for a total not to exceed the amount of \$11,800,000, and is for work including all of Phase 1 and a portion of Phase 2 (see Comment No. 1).

According to Mr. Greg Lyman of the Airport, total payments to date on the current URS contract amount of \$11,800,000 are \$11,798,150. Including this proposed subject grant of \$5,291,558 and \$2,650,00 from the Airport's FY 2002-2003 capital budget, the total authorized funds for the URS contract would be \$19,741,558. Mr. Kevin Kone of the Airport reports that the source of funds for the contract payments of \$11,798,150 was Commercial Paper proceeds used to fund the Airport's capital budget appropriations during FYs 1999-2000, 2000-2001 and 2001-2002. Mr. Kone further

reports that the $4.50 Passenger Facility Charge (PFC) can be used for eligible costs up to $113,358,139 for studies associated with potential runway reconfiguration and for payment of debt service associated with expenditures related to the potential runway reconfiguration project. The Finance Committee of the Board of Supervisors previously approved the release of $41,893,072 in PFC funds, including $11,149,353 in costs for the URS contract eligible for PFC reimbursement (File 02-0473).

Attachment II, provided by the Airport, provides details on the $19,741,558 source of funds for the URS contract, including (a) the original contract ($1,100,000), (b) the three previous contract modifications ($10,700,000) and (c) the proposed Modifications No. 4 and No. 5 ($7,941,558).

The proposed two contract modifications totaling $7,941,558 would increase the scope of work of the contract to include the completion of Phase 2, including the following:

- preparation of technical reports detailing analysis conducted under the existing contract;
- environmental analyses of hydrodynamics, sediment transport, water quality, biology, noise, air quality and surface transportation;
- preparation of technical reports summarizing these new analyses; and
- preparation of the Draft EIS and Draft EIR.

Modification No. 4 would increase the maximum amount of the contract by $2,650,000, to a new total contract amount of $14,450,000, to be initially funded from the Airport's FY 2002-2003 capital budget. Modification No. 5 would increase the maximum amount of the contract by an additional $5,291,558, to be initially funded from the Airport's future capital budgets and reimbursed by the subject grant funds. Together, the two proposed modifications would increase the maximum amount of the contract by $7,941,558, from $11,800,000 to $19,741,558. In addition, Modification No. 4 would extend the term of the agreement upon approval by the Board of Supervisors to June 30, 2005. Therefore, the contract would have a

total term from its original inception of August 1, 1999 of five years and eleven months. In addition, Modification No. 4 requires the contractor to comply with current City and Federal regulations and updates language to reflect the current titles of the parties involved.

The FAA's AIP reimburses Airports for up to 75 percent of the costs of eligible airport improvements and planning for such improvements, and requires grantee Airports to provide a 25 percent match. Therefore, the FAA grant of $5,291,558 requires the Airport to provide $1,763,853 in matching funds. According to Mr. Lyman, under the Airport's agreement with the FAA, these expenditures totaling $7,055,411 ($5,291,558 plus $1,763,853) must be used for grant-eligible expenses, but may be expended retroactively on related work completed under the existing contract. Of the $7,055,411 in grant funds and Airport matching funds budgeted, a total of $6,505,340 would be expended on grant-eligible tasks under Modifications No. 4 and No. 5. The remaining $550,071, which includes $412,553 in FAA grant money and $137,518 in Airport matching funds, would be expended retroactively on eligible costs included in the existing URS contract of $11,800,000.

Modification Nos. 4 and 5, totaling $7,941,558 less the grant eligible amount noted above of $6,505,340 result in a balance of $1,436,218, which, according to Mr. Lyman, is not eligible for FAA grant funds because (a) $1,110,400 would be expended on tasks solely related to the preparation of the EIR in compliance with State of California regulations, which the Federal grant will not pay for; and (b) $325,818 would be expended on tasks that were included in the modifications after the grant proposal had already been submitted and therefore, are not eligible for the grant funds. Mr. Lyman explains that the $325,818 in additional costs to complete Phase II reflects a combination of changes in the scope of work necessary to complete a satisfactory EIS/EIR as well as increases in projections of the time necessary to complete tasks already included in the scope of work necessary to complete the EIS/EIR. Mr. Lyman further explains that the additional $325,818 not included in the grant proposal will be expended on increased efforts for the analysis of

Surface Transportation ($60,000), Fisheries ($180,818), Recreation Assessment ($40,000), and California Environmental Quality Act (CEQA) analysis of a System Management Alternative ($45,000).

Commercial paper, referenced as a funding source in Attachment II, is a short-term financing instrument used by both corporations and municipal issuers as bridge financing until long-term financing is issued. It is used on an as-needed basis to meet short-term cash demands. Commercial Paper maturities range from one to 270 days. As shown in Attachment II, the Airport has budgeted Commercial Paper totaling $11,800,000 as the initial funding authority for the contract with URS.

Budget:

A summary of the URS contract costs, including the proposed Contract Modifications No. 4 and No. 5, is as follows:

Contract Modifications	Amount
Original contract	$1,100,000
Contract Modifications No. 1 – 3	10,700,000
Contract Modification No. 4	2,650,000
Contract Modification No. 5	5,291,558
Total	**$19,741,558**

Attachment III, provided by the Airport, contains the tasks and budget details for the proposed Modification Nos. 4 and 5 to the URS contract in the amount of $7,941,558.

Comments:

1. Under Charter Section 9.118(b), all contracts in excess of $10,000,000 or which have a term of ten years or more, except for construction contracts, are subject to Board of Supervisors approval. The contract with URS, including Modifications No. 1 through No. 3, totaled $11,800,00 for Phase I and a portion of Phase II, thereby exceeding the $10,000,000 threshold by $1,800,000. However, according to Ms. Gretchen Nicholson of the City Attorney's Office, neither Contract Modification No. 2 nor Contract Modifications No. 3 were submitted to the Board of Supervisors for approval. On May 31, 2002, the City Attorney issued Opinion No. 2002-03 pertaining to the application of Charter Section 9.118(b) stating that:

> The City Attorney's Office has received questions in the past concerning the application of Charter section 9.118(b) to construction-related professional services contracts. Although we have not previously issued formal advice on these questions and they have arisen infrequently, deputies have given varying advice to departments concerning this provision.

In Opinion No. 2002-03, the City Attorney advises, with respect to contracts pertaining to architectural, engineering, and construction management services, that Board of Supervisors approval is now required for contract modifications, if the modification causes the cumulative amount of the contract to exceed $10 million, or causes the term of the contract to exceed 10 years.

Therefore, according to Ms. Nicholson, the City Attorney has concluded that the proposed Contract Modifications No. 4 and No. 5 are subject to Board of Supervisors approval.

2. According to Mr. Kone, the original contract for completion of the EIR/EIS process for the runway reconfiguration project was awarded to URS through a competitive Request for Proposals (RFP) process. Four companies responded to the Airport's RFP, and the responses from these four companies were judged by a panel including representatives from the FAA, the Planning Department's Office of Environmental Review, and the Airport. Attachment IV, provided by the Airport, explains the selection process of URS regarding Modifications No. 4 and No. 5. Mr. Lyman advises that for the sake of continuity of analysis, the Airport believes it is important to award the work contained in the proposed contract modifications to URS, the contractor that has conducted all previous related work to date under the existing contract.

3. The proposed grant period is from June, 2002 through June, 2004. However, according to Mr. Lyman, the grant period will officially commence upon approval of the subject resolution by the Board of Supervisors. Mr. Lyman explains that the proposed grant is only now coming before the Board of Supervisors, approximately

two months after the grant period began, because after the City Attorney issued an Opinion that the subject contract was subject to Board of Supervisors approval, the Airport Commission decided to wait until the contract modifications had been negotiated, and submit acceptance of the grant and the contract modifications to the Board of Supervisors together. According to Mr. Kone, to date none of the subject AIP grant funds have been expended.

4. On June 24, 2002, the Board of Supervisors appropriated $11,235,148 for the Airport's runway reconfiguration project, of which the Board of Supervisors placed on reserve $5,000,000 (File 02-1068). The $5,000,000 in reserved funds cannot be expended by the Airport until such funds are released by the Finance Committee.

5. Attachment V to this report is the Department's Grant Information Form, including the Disability Access Checklist.

Recommendation: Approve the proposed resolution.

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Harvey Rose DATE: August 29, 2002

FROM: Greg Lyman

RE: Description of the Runway Reconfiguration Project

The following responds to your request to briefly describe the project including the project purpose and the draft alternatives proposed for environmental review.

The runway reconfiguration project includes feasibility studies, planning studies, geotechnical studies, environmental studies, mitigation studies, benefit-cost analysis, cost and schedule control studies, analysis of no-build solutions to delays and capacity issues, and the development of off shore runway construction concepts for environmental studies. The purpose of the project is to reduce existing and projected flight delays and accommodate existing and anticipated aircraft, as well as projected flight demand, thereby achieving efficient airport operations under all weather conditions while addressing SFO's goal of reducing human exposure to noise.

The Draft Environmental Impact Statement and Draft Environmental Impact Report that are under development will evaluate as many as six alternatives that are under consideration. At this time, the draft alternatives under consideration include:

Three No-Build Alternatives

No-Project Alternative: SFO would neither physically change its existing runways to expand capacity nor modify management strategies to control demand. Instead, the market would continue to set the demand for flights at SFO. Those activities previously approved in SFO's Master Plan would be undertaken, including light rail system; refurbishment of Terminal 2; and rebuilding of Boarding Area B to modern seismic standards.

No Runway Construction Alternative 1: Under this draft alternative, the number of scheduled flights at SFO would be strictly limited by assigning each scheduled flight to a specific time slot, called "slot control". Slot control is proposed for the period of 7:00 AM to 10:00 PM; late night activity (10:00 PM to 7:00 AM) would be limited to no more than 1999 operation levels. Three draft variations on slot controls would be proposed for that 7:00 AM to 10:00 PM period:

Variation 1 (30 Slots): The arrival rate at SFO would be limited to 30 arrivals per hour between 7:00 AM to 10:00 PM.

- **Variation 2 (38 Slots with Aggressive Technology):** The arrival rate at SFO would be limited to 38 arrivals per hour between 7:00 AM to 10:00 PM. This variation assumes that technologies to improve the unfavorable weather capacity of SFO will be developed, certified, and implemented on a much more optimistic and aggressive schedule than currently forecast by the FAA and assumed for other Project alternatives.

Variation 3 (38 Slots with Aggressive Technology & No General Aviation or Cargo): The arrival rate at SFO would be limited to 38 arrivals per hour between 7:00 AM to 10:00 PM. Variation 3 assumes the same aggressive technology as Variation 2 would be in place and would expand the unfavorable weather capacity at SFO. This variation also assumes that no general aviation or cargo flights would be allotted slots to use SFO.

No Runway Construction Alternative 2: In accordance with Public Resources Code Division 13 Section 21151.10, this draft alternative would strictly limit the number of scheduled flights at both SFO and OAK through slot controls and would form a joint management authority (JMA) between SFO and OAK and connect the airports with high-speed transit options. Three draft variations would be proposed:

Variation 1 High-Speed Rail Connection: The variation would include construction of a high-speed rail connection between SFO and OAK and the arrival rate at SFO would be limited to 30 arrivals per hour and arrivals at OAK would be limited to 21 slots.

Variation 2 High-Speed Ferry Connection: The variation would include construction of a high-speed ferry connection between SFO and OAK and the arrival rate at SFO would be limited to 30 arrivals per hour and arrivals at OAK would be limited to 21 slots.

Variation 3 Existing Mass-Transit Connection: The variation would include analysis of existing mass transit connections between SFO and OAK and the arrival rate at SFO would be limited to 30 arrivals per hour and arrivals at OAK would be limited to 21 slots.

Three Runway Construction Alternatives: The three draft Runway Construction Alternatives attempt to address the Project's objectives by physically modifying the layout of the existing runways.

Runway Construction Alternative 1 (also known as A3): This draft alternative would involve the construction of (1) a new runway and associated taxiway and (2) runway safety areas (RSAs) on all existing runways.

Runway Construction Alternative 2 (also known as BX6): This draft alternative would involve the construction of (1) two new runways and associated taxiways and (2) runway safety areas (RSAs) on all existing runways.

Runway Construction Alternative 3 (also known as BXR): The proposed changes for this draft alternative are similar to those for Runway Construction Alternative 2 (BX6) one of the new runways would be longer and wider.

If you need any additional information, please feel free to contact the Airfield Development Bureau.

cc: Sarah Graham
Leo Fermin
Cathy Widener
Kevin Kone
Stuart Sunshine
Tom Kardos
Deb Ward
Melba Yee
Ralph Stewart

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Harvey Rose DATE: August 14, 2002

FROM: Greg Lyman

RE: Application of Grant Funding to Project Costs

The following responds to your request to document FAA's statement the Entitlement Grant will fund ongoing tasks. FAA Representatives stated the FAA, when it converted the application for an Airport Improvement Program Discretionary Grant into an Entitlement Grant Offer, considered and agreed the grant would cover work being completed under the existing contract (Modifications Nos. 2 and 3). The attached table further illustrates how the grant will be applied to ongoing and future work. Additionally, the table indicates the source of funds to pay the contractor and the source of revenues to replenish those funds.

Cc: Sarah Graham
Leo Fermin
Cathy Widener
Kevin Konc
Stuart Sunshine
Tom Kardos
Deb Ward
Melba Yee
Ralph Stewart

Summary of Funding and Revenue Associated with Contract 4240.1 for URS Corp. to Conduct Environmental Assessment of Runway Reconfigurations at SFO

		Funding Source		Revenue Source	
Contract Modification	Modification Value	Amount Funded by Commercial Paper (CP)	Amount to be Funded by Existing Airport Capital Funds	Amount Eligible to be Replenished by Passenger Facility Charges (PFC)	Amount Replenished by Airport Improvement Program (AIP) Entitlement Grant
Airport Commission Contract Award Value	$1,100,000	$1,100,000	$0	$1,100,000	$0
Airport Commission Modification No 1	$5,200,000	$5,200,000	$0	$5,200,000	$0
Airport Commission Modification No 2	$5,000,000	$5,000,000	$0	$4,962,447	$37,553
Airport Commission Modification No 3	$500,000	$500,000	$0	$125,000	$375,000
Airport Commission Modification No 4	$2,650,000	$0	$2,650,000	$662,500	$1,987,500
Airport Commission Modification No 5	$5,291,558	$0	$5,291,558	$2,400,053	$2,891,505
Totals	$19,741,558	$11,800,000	$7,941,558	$14,450,000	$5,291,558

Note: Replenishment of a portion of Modification Nos. 2 and 3 are a result of FAA offering an Entitlement Grant in response to the Airport's Discretionary Grant Application for Modification Nos. 4 and 5.

Detailed Cost Estimate for EIR and EIS from 11/1/01 through Draft and Comment Period (10/03)

Task	Total Cost	FAA Grant Type	Discretionary and PFC Eligible	Entitlement Eligible Existing Contract and Mods. 4 & 5	Included in Existing Contract Budoet	Increase After Grant Application	Approx Manhours	Ave. Rate
Chapter 1.0 Introduction	$25,000	D	$25,000	$0	$0		158	$158
Chapter 2.0 Project Objectives	$25,000	D	$25,000	$0	$0		158	$158
Chapter 3.0 Alternatives	545,000	D	$45,000	$0	$0	$20,000	385	$117
Chapter 4.0 Environmental Setting, Impacts, and Mitigation								
Noise	515,000	D	$15,000	$0	$0			
Land Use, Plans and Policies	$5,000	D	$5,000	$0	$0			
Air Quality	$10,000	D	$10,000	$0	$0			
Hydrology/Water Quality	$50,000	D	$50,000	$0	$0			
Recreation	$5,000	D	$5,000	$0	$0			
Cultural Resources	$5,000	D	$5,000	$0	$0			
Biological Resources	$50,000	D	$50,000	$0	$0			
Energy	$15,000	D	$15,000	$0	$0			
Visual Resources	$5,000	D	$5,000	$0	$0			
Solid Waste	$5,000	D	$5,000	$0	$0			
Hazardous Waste	$5,000	D	$5,000	$0	50			
Public Services and Utilities	$30,000	D	$30,000	$0	$0	$25,000		
Surface Transportation	$10,000	D	$10,000	$0	$0			
Geology/Seismicity	$5,000	D	$5,000	$0	$0			
Chapter 4.0 Total	$215,000						1369	$157
Chapter 5.0 Habitat Mitigation	522,000	D	$22,000	$0	$0		142	$155
Chapter 6.0 Cumulative Impacts, Unavoidable Impacts, Growth Inducement	$15,500	D	$15,500	$0	$0		125	$124
Chapter 7.0 Coordination and Public Involvement	558,000	D	$58,000	$0	$0		440	5132
Chapter 8.0 Preparers and Distribution List	$9,000	D	$9,000	$0	$0		74	$122
Chapter 9.0 Bibliography	$5,500	D	$5,500	$0	$0		55	$100
Chapter 10.0 List of Abbreviations, Acronyms and Glossary	$5,000	D	$5,000	$0	$0		50	$100
Chapter 11.0 index	$15,400	D	$15,400	$0	$0		160	$96
Draft EIR Publication								
Administrative Draft EIR	$50,000	D	$50,000	$0	$0			
Camera Ready Draft EIR	$100,000	D	$100,000	$0	$0			
Draft EIR	$150,000	D	$150,000	$0	$0			
Draft EIR Publication Total	$300,000						390	$120 *
Project Management	$415,000	D	$415,000	$0	$0		3050	$136
	$1,155,400		$1,155,400	$0	$0	$45,000	6556	$176
EIR Total Cost	$7,941,558		$1,155,400	$7,758,608	$972,450	$325,818	56,793	$140

Post $11.8 million contract	$7,941,558
Amount of increase after Grant Application	$325,818
Total Entitlement Eligible	$7,477,790
Contract Mod. 4 and 5 Entitlement Eligible	$6,505,340
Grant Submission Amount	$7,055,410
FAA 75%	$5,291,558
FAA Portion to Mod 4 and 5	$4,879,005
FAA Portion to Existing Contract	$412,553
SFO Match 25%	$1,763,853
SFO Match to Mod 4 and 5	$1,626,335
SFO Match to Exisitng Contract	$137,518
Modification No. 5 Total	$2,650,000
Modification No. 4 Total	$5,291,558

Source: Airport Commission

Pnnt Date: 8/20/02

Attachment IV

AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT
CITY AND COUNTY OF SAN FRANCISCO

INTEROFFICE MEMORANDUM

TO: Harvey Rose DATE: August 14, 2002

FROM: Greg Lyman

RE: Selection of URS for Modifications Nos. 4 and 5

The following responds to your request to document the third party relationship between the FAA and the City and how that relationship affects the selection of URS for Modifications Nos. 4 and 5 and subsequent modifications, as necessary.

The contract in question is "owned" by the Federal Aviation Administration (FAA). The Airport Commission has entered into a Memorandum of Understanding (MOU) with the FAA and OER regarding the contract. The MOU details the specific conditions with regard to the manner in which each of the agencies (the FAA, OER and SFO) will interact with URS and how the scope of work, deliverables and costs will be determined and directed.

This is the standard arrangement for all contracts with environmental consultants who are responsible for conducting the studies and producing the reports and documents that will go into the development of an Environmental Impact Statement. In actuality it is required by federal law that the contracts be structured in this manner. As such, the FAA participated in, and was responsible for the selection of the consultant for this contract. The selection was based on responses to a Request for Qualifications process in which there were four (4) respondents. After conducting interviews with all of the respondents, the FAA selected URS Corporation (formerly URS Greiner) and directed SFO to administer said contract.

Cc: Sarah Graham
Leo Fermin
Cathy Widener
Kevin Kone
Stuart Sunshine
Tom Kardos
Deb Ward
Melba Yee
Ralph Stewart

File Number: ______________________

Grant Information Form

(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Accept and Expend Grant Funds under the Airport Improvement Program (AIP), AIP Project No. 3-06-0221-19

2. Department: Airport Commission

3. Contact Person: Cathy Widener Telephone: (650) 821-5023

4. Grant Approval Status (check one):

   [X] Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: $5,291,558.00

6a. Matching Funds Required: $1,763,853.00
 b. Source(s) of matching funds (if applicable):
 AIP Project No. 3-06-0221-19, $2,324,182 in Capital Improvement Project Funds. Funds provided ($2,324,182) exceed required matching funds ($1,763,853) because some project costs are not eligible for reimbursement under this grant program. Total project costs are projected to be $7,615,740.

7a. Grant Source Agency: Federal Aviation Administration
 b. Grant Pass-Through Agency (if applicable): N/A

8. Proposed Grant Project Summary:
   Please Refer to Page 12 of 25 in the Grant Application, Attachment F

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start Date: June, 2002 End Date: June, 2004

10. Number of new positions created and funded: 0

11. If new positions are created, explain the disposition of employees once the grant ends? N/A

12a. Amount budgeted for contractual services:
$7,615,740.00

b. Will contractual services be put out to bid?
Contracted services are reimbursable. This grant reimburses City for services rendered on a contract competitively bid in 1999.

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements?
Contract services are furthering department's DBE requirement. MBE/WBE goals do not apply to FAA contracts.

d. Is this likely to be a one-time or ongoing request for contracting out?
Ongoing

13a. Does the budget include indirect costs? [ ] Yes [X] No

b1. If yes, How much? N/A
b2. How was the amount calculated? N/A

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency
[ ] To maximize use of grants funds on direct services
[X] Other (please explain):
According to the Lease and Use Agreement between the City of San Francisco and major airlines using San Francisco International Airport, the Annual Service Payment made to the City shall constitute full satisfaction of all obligations of the Airport. Please refer to Attachment I.

14. Any other significant grant requirements or comments: N/A

**** Disability Access Checklist****

15. This Grant is intended for activities at (check all that apply):

[X] Existing Site(s) [X] Existing Structure(s) [ ] Existing Program(s) or Service(s)

[ ] Rehabilitated Site(s) [ ] Rehabilitated Structures(s) [ ] New Program(s) or Service(s)

[X] New Site(s) [X] New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability has reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability
Reviewer:______________________________________ (Name)

Date Reviewed: ________________________________

Department Approval:

RONALD J. FONG ADA PROGRAM MANAGER
(Name) (Title)

(Signature)

Item 5 - File 02-1219

Department: Treasurer/Tax Collector

Item: Ordinance amending the Business and Tax Regulations Code to: (1) amend Article 6 Sections 6.17-1 through 6.17-4 to increase penalties imposed upon businesses who fail to: (a) pay the Payroll Tax or the Gross Receipts Tax owed to the City, or (b) file a business tax return or who file a business tax return subsequent to the City's due dates, and (2) amend Article 17 Sections 1700 through 1707 to establish a Business Tax Penalty Amnesty Program during Fiscal Year 2002-2003 for penalties owed to the City on delinquent annual Business Registration Certificate fees and on delinquent Payroll Tax and Gross Receipts Tax for tax periods ending on or before December 31, 2001.

Description: Prior to January 1, 2000, firms doing business in the City were required to pay the City either the Payroll Tax or the Gross Receipts Tax, whichever was higher, as a business tax for work performed in the City. The City currently imposes only the Payroll Tax on firms engaged in business in the City since the Gross Receipts Tax was repealed on January 1, 2000 (Ordinance No. 63-01). The proposed ordinance would apply to penalties on both the Payroll Tax and the Gross Receipts Tax, depending on the tax periods for which the penalty applies.

In addition to paying business taxes, firms engaging in business in the City must obtain an annual Business Registration Certificate from the Office of the Treasurer/Tax Collector. Business Registration Certificate fees and business taxes are remitted to the City's General Fund. Businesses that (a) fail to obtain an annual Business Registration Certificate or fail to obtain their Business Registration Certificate by the Certificate's due date, (b) fail to file a business tax return or file such returns subsequent to the City's due dates, or (c) fail to pay their business taxes owed to the City, are subject to penalties as set forth in Article 6 Sections 6.17-1 through 6.17-4 of the Business and Tax Regulations Code.

The proposed ordinance would amend the Business and Tax Regulations Code as follows:

- Amend Section 6.17-1 to increase the penalty for failure to pay the required business taxes. Under current law, businesses are subject to penalties of 5% of the amount of the delinquent taxes for each month or fraction of the month from the time the tax becomes delinquent until paid, not to exceed 20% in the aggregate. Under the proposed ordinance, the not-to-exceed penalty would increase from 20% of the amount of delinquent taxes to 25% of the amount of the delinquent taxes. In addition, the proposed ordinance would amend Section 6.17-1 to increase the additional penalty for failure to pay any business taxes for a period of 90 days after notification by the Tax Collector's Office that the tax is delinquent from the current flat penalty of 20% of the amount of the delinquent taxes to a flat penalty of 25% of the amount of the delinquent taxes.
- Amend Section 6.17-2 to increase the penalty for underreported business taxes. Under current law, businesses are subject to penalties of 5% of the amount of the underreported tax for each month or fraction of the month from the time the tax becomes delinquent until paid, not to exceed 20% in the aggregate. Under the proposed ordinance, the not-to-exceed penalty would increase from 20% of the amount of delinquent taxes to 25% of the amount of the delinquent taxes.
- Amend Section 6.17-3 to increase the penalty for failure to file a business tax return that is required by the Business and Tax Regulations Code from the current penalty of $100 to $250 for each such failure to file.
- Amend Section 6.17-4 to add a provision stating that, during the proposed amnesty period (see below), for any business that applies for and receives a waiver of penalties under the proposed Business Tax Penalty Amnesty Program, the Tax Collector may not waive or otherwise reduce interest for the period or periods covered by the business' amnesty application. Under the current and proposed amended Business and Tax Regulations Code, interest accrues at the rate of one

percent per month, or fraction of a month, from the date that business taxes become delinquent.

- Amend Article 17 to establish a Business Tax Penalty Amnesty Program in Fiscal Year 2002-2003. Under the proposed ordinance, the Tax Collector would designate a 60-day amnesty application period to begin on or after October 1, 2002 and to conclude on or before January 31, 2003, during which time the Tax Collector would accept applications to participate in the Business Tax Penalty Amnesty Program for Fiscal Year 2002-2003. The last such Business Tax Penalty Amnesty Program approved by the Board of Supervisors was in 1995.

Liabilities that would be forgiven under the proposed Business Tax Penalty Amnesty Program as set forth in the proposed amended Article 17 of the Business and Tax Regulations Code include penalties owed for failure to pay annual Business Registration Certificate fees, penalties owed for failure to file a business tax return or for filing late, and penalties owed for failure to pay business taxes for tax periods ending on or before December 31, 2001. Liabilities that would not be forgiven under the proposed Business Tax Penalty Amnesty Program include unpaid Business Registration Certificate fees, unpaid business taxes, accrued interest on delinquent taxes, penalties owed as a result of a jeopardy determination[1] that has become final prior to the 60-day amnesty application period, penalties paid prior to the amnesty period, and penalties owed which are related to any determination under administrative review or penalties owed that are included in any civil tax collection litigation commenced by the Tax Collector prior to the 60-day amnesty application period.

To qualify for the Business Tax Penalty Amnesty Program, a business must: (a) file completed business tax returns for all periods for which the business has not previously filed a business tax return or not filed an amended business tax return for all periods for which the

[1] Mr. Mark Buckley of the Treasurer/Tax Collector's Office explains that a jeopardy determination is when the timeline for payment of taxes is expedited due to the potential flight risk of the taxpayer.

business underreported taxes owed to the City, (b) pay in full all business taxes and interest due to the City (see Comment No. 7d), and (c) execute a written waiver of the business' rights to seek a refund of the amounts paid to the Tax Collector for all periods for which the business submits a tax penalty amnesty application under the proposed Business Tax Penalty Amnesty Program.

If a business qualifies to participate in the Business Tax Penalty Amnesty Program, the Tax Collector shall: (a) waive all penalties for failure to pay annual Business Registration Certificate fees or failure to file a business tax return, (b) waive all penalties for delinquent business taxes, (c) refrain from initiating proceedings to suspend or revoke the Business Registration Certificate previously issued to the business, and (d) refrain from initiating any civil action against the business for the tax periods for which the tax penalty amnesty is granted.

Comments:

1. The Attachment is a memorandum from Mr. George Putris of the Treasurer/Tax Collector's Office showing the results of the last 1995 Amnesty Program. According to Mr. Putris, the 1995 Business Tax Penalty Amnesty Program was effective from December 1, 1994 to January 31, 1995. The Attachment shows that as a result of the 1995 Business Tax Penalty Amnesty Program, the City realized $4,949,336 in delinquent Business Registration Certificate fees and business taxes offset by additional City costs of $770,952, for a net revenue gain to the City of $4,178,384. Mr. Putris reports in the Attachment that "the aggregate amount of penalties waived in connection with the 1995 Amnesty Program were not recorded at the time and cannot easily be determined now." The Treasurer/Tax Collector's Office has no information on the amount of revenue forgone by the City under the 1995 Amnesty Program, representing penalties on the delinquent taxes and Business Registration Certificate fees.

2. Mr. Putris states in the Attachment, "If all delinquent taxpayers with collectable accounts availed themselves of the proposed Business Tax Penalty Amnesty Program, the

total amount of outstanding penalties subject to forgiveness would be $12,466,561."

3. As detailed in the Attachment, Mr. Putris reports that the Treasurer/Tax Collector's Office would need to request a supplemental appropriation of $1,321,181 in Fiscal Year 2002-03 to cover the costs of staff time and related costs that would be required to process applications for the Business Tax Penalty Amnesty Program should this proposed ordinance be approved by the Board of Supervisors. Mr. Putris advises that the estimated supplemental appropriation of $1,321,181 is the amount of additional funds that the Treasurer/Tax Collector's Office would require if the applications for the proposed Business Tax Penalty Amnesty Program were to be accepted for a 60-day period between October 1, 2002 and January 31, 2003. According to Mr. Ed Harrington, Controller, the Controller's Office is unable at this time to certify increased business tax revenues and related interest income that might result from implementation of this proposed ordinance which could serve as a source of funds for such a supplemental appropriation.

4. As previously noted, an increase in penalties would be imposed on businesses (a) which fail to pay business taxes owed to the City, from the current not-to-exceed penalty of 20% of the amount of taxes owed to a proposed not-to-exceed penalty of 25% of the amount of taxes owed, or (b) which fail to file a business tax return, whereby the current penalty of $100 would be increased to a penalty of $250. Mr. Putris advises that the Treasurer/Tax Collector's Office is unable to estimate the additional revenues to the City which would result from the increased penalties under the proposed ordinance.

5. The Budget Analyst notes that while business tax collections may increase during the amnesty period, much of that revenue might be collected without an amnesty program, simply as a result of the Tax Collector's normal auditing and collection procedures. The Attachment includes a flow chart of the business tax filing and collection process. As previously noted, the Treasurer/Tax Collector's Office has no information on the forgone

revenues to the City from the 1995 amnesty program. As also previously noted, Mr. Putris estimates that the amount of penalty revenues which may be forgone by the City if the proposed Business Tax Penalty Amnesty Program is approved by the Board of Supervisors is $12,466,561.

6. Although the Controller is unable to certify additional increased revenue which may result from the proposed Business Tax Penalty Amnesty Program, such a Program could result in improved compliance with the City's business tax laws and could result in an increase to the City's business tax base if the number of currently unregistered businesses use the amnesty program to become registered with the City. The potential for an increased number of registered businesses could therefore be viewed as a long term revenue benefit resulting from the proposed Business Tax Penalty Amnesty Program.

7. According to Mr. Dorji Roberts of the City Attorney's Office, the Office of the Sponsor intends to submit an Amendment of the Whole at the Finance Committee's October 3, 2002 meeting. Mr. Roberts advises that the Amendment of the Whole may contain the following changes or additions:

(a) The Tax Collector would designate the 60-day amnesty application period to begin on or after March 1, 2003 instead of on or after October 1, 2002 and to conclude on or before June 30, 2003 instead of on or before January 31, 2003, during which time the Tax Collector would accept applications to participate in the Business Tax Penalty Amnesty Program for Fiscal Year 2002-2003.

(b) The proposed ordinance would include language to clarify that any loss or partial loss of eligibility for the Small Business Exemption resulting from the failure to file a timely return would be deemed a penalty subject to waiver under the proposed Business Tax Penalty Amnesty Program. If a business owes $2,500 or less in business taxes to the City and files a timely business tax return, then the business is exempt from payment of the tax under the Small Business Exemption. If a small business fails to file a business

tax return on time and the business owes $2,500 or less in business taxes, the business would lose its Small Business Exemption status, resulting in the necessity to pay penalties on the amount of taxes that are exempt from payment of the tax under the Small Business Exemption. Such penalties would be subject to waiver under the proposed Business Tax Penalty Amnesty Program.

(c) The proposed ordinance would include a Statement of Intent regarding future Business Tax Penalty Amnesty Programs to state that it is the intent of the Board of Supervisors that future amnesty programs could not take place for at least five years following the conclusion of the proposed amnesty program period.

(d) The proposed ordinance would include language to require that when a business qualifies to participate in the proposed Business Tax Penalty Amnesty Program, and that business enters into an installment payment agreement with the City to repay in full over time its delinquent business taxes, related interest, and/or fees, then the business must pay upfront 50% of the outstanding balance due to the City.

Recommendation: Approval of the proposed ordinance is a policy decision for the Board of Supervisors.

M E M O R A N D U M

TO: Anna LaForte

FROM: George Putris, Tax Administrator

DATE: September 25, 2002

RE: Proposed Business Tax Penalty Amnesty Program

CC: Hon. Susan Leal, Treasurer/Tax Collector

We have considered your questions concerning the proposed Business Tax Penalty Amnesty Program and respond as follows:

1. Program Costs

Set forth below is an estimated budget for the proposed Business Tax Penalty Amnesty Program. This budget relies upon the actual costs incurred during the fiscal year 1994/1995 Amnesty Program.

Assumptions:

- Inflation rate at 20 percent for programming and materials. Employee compensation set forth at current rates.
- Total number of businesses participating in the proposed amnesty program same as in the prior program; that is, approximately 10,000 applicants, of which 4,500 ultimately required to pay delinquent tax obligations.
- Additional staff will be needed for a six-month period to complete the processing of applications and payment arrangements.

	Cost	FTE	Annual	Hourly
Temporary Positions				
4222 Sr. Auditor	36,400	0.5	72800	35
4220 Auditor	125,736	2	62868	30.225
1632 Sr. Acct Clerk	130,728	2	65364	31.425
1630 Acct Clerk	89,378	2	44688.8	21.485
1424 Clerk Typist	43,316	1	43316	20.825
FTE Total	425,558			
Benefits	140,434	0.33		
Overhead	106,389	0.25		
Advertising	350,000			
Materials,Supplies, Mailing, & Programing	298,800			
Total	**1,321,181**			

2. **Supplemental Appropriation Required**

The Treasurer's Office has not included the above-estimated costs in its fiscal year 2002/2003 budget. Therefore, supplemental appropriations equal to the entire program costs would be required.

3. **Aggregate Penalties Subject to Forgiveness Under Proposed Amnesty Program**

If all delinquent taxpayers with collectable accounts availed themselves of the proposed Business Tax Penalty Amnesty Program, the total amount of outstanding penalties subject to forgiveness would be $12,466,561.

The total amount collected during the fiscal year 1994/1995 Amnesty Program was $4,949,336. The total cost of administering such Program was $770,952, of which $249,162 was for materials, supplies and programming. The aggregate amount of penalties waived in connection with such Program were not recorded at the time and cannot easily be determined now.

4. **Delinquent Revenue Collection Process**

The department's Bureau of Delinquent Revenue ("BDR") is primarily responsible for identifying and collecting delinquent business tax revenues due and owing to the City and County of San Francisco. A summary of BDR's procedures are set forth below:

- Delinquent accounts are identified using "on-hold" reports generated daily from DTIS. This report reflects registered businesses that have made a payment but, due to a prior year's delinquency, have a "hold" on the issuance of a new registration certificate.

- For delinquent accounts, collectors research and compile all taxes, including business taxes and unsecured property taxes (UPP), and send a statement of account to the taxpayer.

- Taxpayers contact the office to pay, dispute or clarify the account. If payment in full is received, the registration will issue automatically by the Business Tax System ("BTS"). If the taxpayer disputes the liability and requests a waiver of penalties, the matter is forwarded to Business Tax Section. If the taxpayer sends documentation to substantiate the basis of the dispute (e.g., the business closed a year ago), then an adjustment request is forwarded to the Taxpayer Assistance or Business Tax Section.

- If the taxpayer fails to respond, a second letter is sent. If no response is received, then the account is forwarded to Investigations for further action and possibly the recordation of a lien. If the amount is under $5,000, the business tax summary judgments procedure may be used. If the amount is over $5,000, the account is forwarded to Legal Section to review for possible legal action.

- Separate from this process, collectors work to proactively identify business who are delinquent in tax payments in excess of those identified in the "on-hold" report. The following means are used:

i. Cross referencing taxpayer accounts in the BTS and various lists of delinquent UPP taxes and other files and lists provided by third parties, including Dunn and Bradstreet, the Franchise Tax Board, and the State Board of Equalization. This cross-checking procedure typically yields the identities of large numbers of unregistered businesses.
ii. Search of the BTS for large delinquent obligations to collect (also known as "cherry picking").
iii. Identification of unregistered companies and individuals doing business in the City and County of San Francisco using the Internet, periodicals, newspapers, etc.

The chart attached to this Memorandum provides an overview of BDR's collection process. The chart outlines procedures associated with non-payment of business taxes over time and reflects the categories of businesses who would be eligible for a new Amnesty Program.

5. Long Term Results of Prior Amnesty Program

It is reasonable to assume that some number of unregistered businesses that availed themselves of the prior amnesty program paid past and future taxes that would not have been collected but for such program. Some of these businesses would probably have been identified by BDR in the ordinary course of business; therefore, it is possible that the prior amnesty program reduced post-amnesty collections. Stated in another way, the amnesty program, by accelerating collections to the amnesty period, reduced later collections by a like amount.

6. Policy Implications of Amnesty Programs

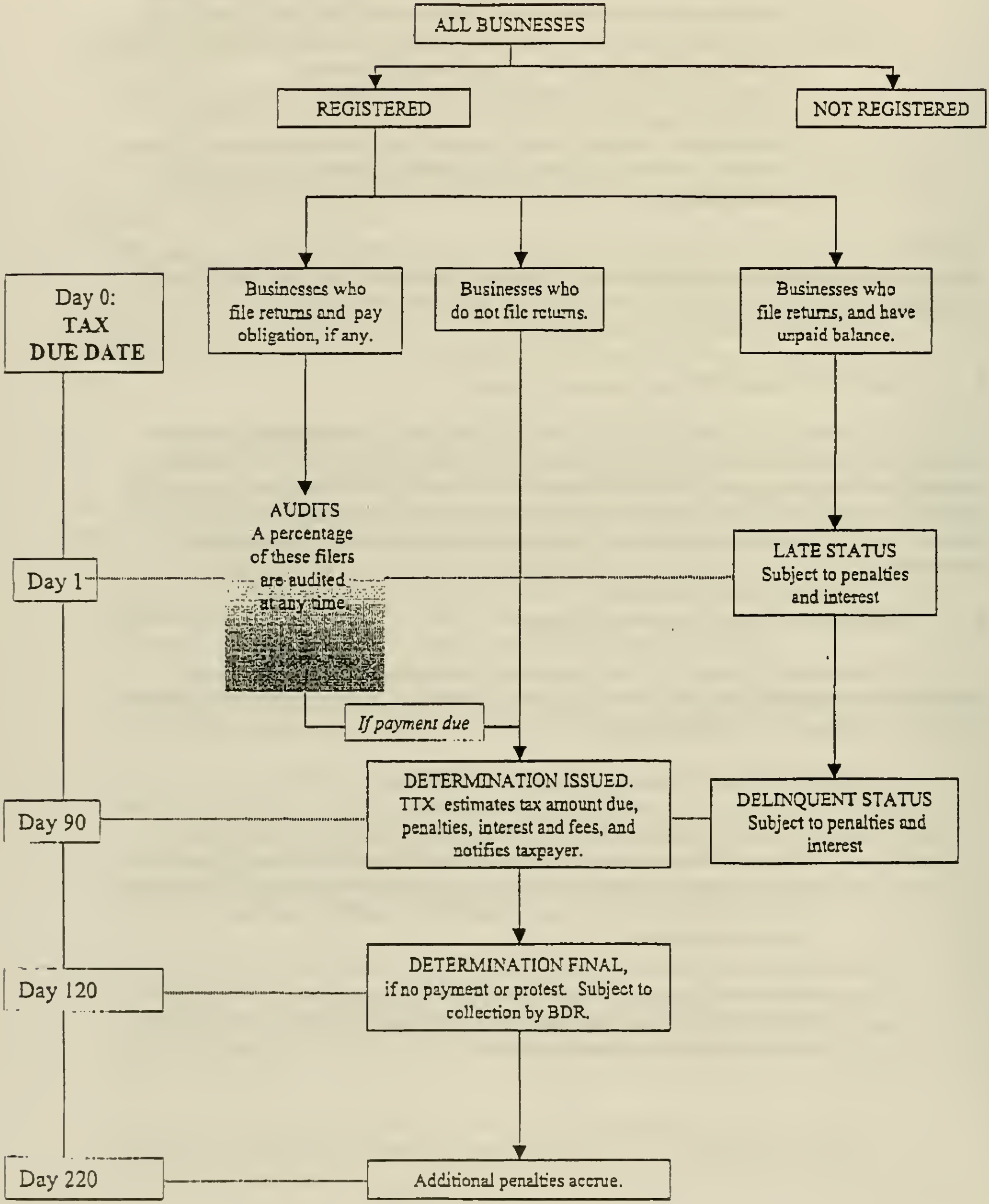
The reduction of the number of non-compliant businesses eases BDR's burden of discovering and collecting delinquent tax obligations. In addition, amnesty serves to accelerate the collection of past-due tax obligations.

Two unintended effects of amnesty programs are as follows:

- Some of the taxpayers who have diligently complied with the City and County of San Francisco's various taxation laws or have actually paid the types of penalties forgiven under amnesty programs *take exception* to what they consider the special treatment that non-compliant businesses receive under such programs.

- In the taxable years following an amnesty program, some non-compliant businesses who incur penalties choose not to come forward, choosing instead to wait for a future amnesty program.

Business Tax Filing & Collection Process



Item 6 - File 02-1417

Department: Mayor's Office

Item: Ordinance repealing Section 10.148 of the San Francisco Administrative Code, thereby eliminating the Mayor's Office Cash Revolving Fund in the amount of $1,000.

Description: Article XV, Section 10.125 of the Administrative Code authorizes the amounts contained in various departmental Cash Revolving Funds. A Cash Revolving Fund, otherwise known as a petty cash fund, is a Fund with a specifically appropriated amount that a department may use to make change for cash transactions, make petty cash purchases or make disbursements which cannot be conveniently made by warrants drawn by the Controller.

The proposed ordinance would amend Section 10.148 of the Administrative Code to delete reference to the Mayor's Office Cash Revolving Fund, thereby eliminating that Fund in the amount of $1,000. Mr. Ben Rosenfield of the Mayor's Office reports that the Mayor's Office closed the Mayor's Office Cash Revolving Fund Account and returned the balance of $1,000 to the Controller's Office in July of 2000.

Comment: According to Mr. Rosenfield, there should be no fiscal impact from the elimination of the Mayor's Office Cash Revolving Fund.

Recommendation: Approve the proposed ordinance.

Item 7 - File 02-1526

Departments: Public Library
Redevelopment Agency
Department of Administrative Services, Real Estate Division (RED)

Item: Ordinance approving and authorizing the Director of Property to execute an Agreement of Purchase and Sale of Real Property between the City and County of San Francisco and the San Francisco Redevelopment Agency (SFRA) for the purchase, by the City from the Redevelopment Agency, of a new approximately 7,700 square foot Mission Bay Branch Library and the land on which the new branch library would be constructed. The new Mission Bay Branch Library would be located on land that is referred to herein as Parcel N3aP-1 fronting on 4th Street between Berry Street and the Mission Creek Channel within the Mission Bay North Redevelopment Plan Area. This proposed ordinance would also authorize the City's Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this Ordinance, without further approval of the Board of Supervisors (see Comment No. 9).

Amount and Source of Funds: The ordinance authorizes the City's Director of Property on behalf of the City, to execute an Agreement of Purchase and Sale of Real Property with the Redevelopment Agency enabling the City to purchase the proposed new Mission Bay Branch Library using General Obligation Proposition A Branch Library Facilities Improvement Bond, funds previously appropriated by the Board of Supervisors in the Public Library's FY 2002-2003 budget, at an estimated price of $3,267,000, but at a price not to exceed $3,430,350.

Background: On October 26, 1998, the Board of Supervisors approved the Mission Bay North Redevelopment Plan (ordinance No. 327-98). According to Ms. Pamela Sims of the Redevelopment Agency, as part of the Redevelopment Agency's implementation of the Mission Bay North Redevelopment Plan, the Redevelopment Agency entered into an Owner Participation Agreement ("OPA") with

Catellus Development Corporation (Catellus) on November 16, 1998. This OPA, which was not subject to Board of Supervisors approval, requires Catellus to convey to the Redevelopment Agency a minimum of 2.5 acres of land and a maximum of 3.8 acres of land for the development of affordable housing in exchange for development rights and other considerations under the Mission Bay North Redevelopment Plan and OPA. One of the land parcels that Catellus will convey to the Redevelopment Agency in November or December of 2002 is referred to as Parcel N3aP-1, which will include the land for the construction of an approximately 7,700 square foot Mission Bay Branch Library, referred to as "the Library Parcel" in addition to land for the development of low income housing and office space. The 7,700 square foot estimate is the approximate square footage of the yet to be constructed Mission Bay Branch Library.

Following the Redevelopment Agency's Request for Qualifications (RFQ) process, on January 16, 2001, the Redevelopment Agency entered into an Exclusive Negotiations Agreement with Mercy Housing California (Mercy), a nonprofit organization, to be the developers of a mixed-use project on Parcel N3aP-1. The Redevelopment Agency will cause Parcel N3aP-1 to be subdivided into three smaller parcels prior to the start of construction of the Mission Bay Branch Library. The first parcel will be for approximately 139-units of senior housing (the Housing Parcel), the second parcel will be 23,400 square feet of office space for nonprofit and public agencies (the Office Parcel), and the third parcel for an approximately 7,700 square foot Mission Bay Branch Library (the Library Parcel). According to Ms. Sims, all three parcels will be developed by Mercy as a single integrated project.

Following the subdivision of Parcel N3aP-1, as described above, the Redevelopment Agency and Mercy will enter into three ground lease agreements, one each for the Housing, Office, and Library Parcels. Such agreements will not be subject to Board of Supervisors approval. Once the development of the Library Parcel is completed, no later than 4 years from the date of the proposed subject Agreement of the Purchase and Sale of Real Property is

executed, the ground lease between the Redevelopment Agency and Mercy for the Library Parcel will terminate and the Redevelopment Agency will own the improvements together with the land with respect to the Library Parcel. The Redevelopment Agency will then sell the Library Parcel to the City, at an estimated price of $3,267,000, but at a price not to exceed $3,430,350, in accordance with the provisions of the proposed subject Agreement of Purchase and Sale of Real Property.

Description:

The proposed ordinance would authorize the Director of Property to purchase the Mission Bay Branch Library, which would be approximately 7,700 square feet, when newly constructed. The construction of the library would be completed by no later than four years after the subject proposed Agreement for the Purchase and Sale of Real Property is executed between the Redevelopment Agency and the City. According to Ms. Susan Hildreth of the Public Library, the not to exceed amount of $3,430,350 was determined by the Library Commission based on budgetary constraints. The subject ordinance authorizes (a) the Director of Property to execute the Agreement of Purchase and Sale of Real Property on behalf of the City and (b) a construction Rider, which establishes the following terms for the construction and disposition of the Library Parcel.

Development

- The Redevelopment Agency, through its Developer (Mercy), would be responsible for the development and construction of the Mission Bay Branch Library for the City under the terms of the subject Agreement.
- During the term of the subject Agreement, the Redevelopment Agency would require Mercy to submit to the Public Library for approval each design phase[1] of the actual construction plans for the construction of the Mission Bay Branch Library.
- The Redevelopment Agency through its Developer (Mercy) would be responsible for correcting all defective construction work for one year after construction of the Library has been completed.

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[1] The development of the design documents for the Library Parcel as well as the overall project will occur in the following major phases: (i) Schematic Design, (ii) Design Development, (iii) 50 Percent Construction Documents, and (iv) 100 Percent Construction Documents.

Purchase Price and Payments

- According to the proposed Agreement, the City would purchase the 7,700 square foot Mission Bay Branch Library together with the land from the Redevelopment Agency at an estimated price of \$3,267,000 but for a price not to exceed \$3,430,350. If the final Purchase Price, adjusted as described below, is more than \$3,430,350, the City has the option to terminate the Agreement (see Comment No. 6).
- The estimated purchase price of \$3,267,000 is based on the cost of designing and constructing the core, shell and tenant improvements for the Mission Bay Branch Library (estimated to cost \$2,970,000), plus a 10 percent fee for project management at an established cost of \$297,000 (\$2,970,000 plus \$297,000 equals \$3,267,000). Attachment I to this report, provided by Ms. Sims of the Redevelopment Agency, is a budget for the Mission Bay Branch Library.
- The purchase price may be adjusted after all required construction documents have been completed and approved by the Public Library and after receiving a guaranteed maximum price from the Developer (Mercy) based upon the final construction documents. If the actual cost of constructing the Branch library is less than \$2,970,000, the purchase price will be adjusted downward to the actual cost of construction. If the actual cost of constructing the Branch library exceeds the estimated purchase price resulting in a total price of \$3,267,000 either (1) by up to an additional five percent or \$163,350 of the total purchase price resulting in a total price of \$3,430,350 or (2) by other costs as a result of changes to the design development plans approved by the Public Library, the purchase price will be adjusted upwards. The 10 percent project management fee of \$297,000 would not be adjusted.
- The proposed Agreement requires the Public Library to make monthly payments on the final purchase price of the branch library to the Redevelopment Agency based on itemized invoices submitted by the Developer (Mercy) to the Public Library. The invoices would detail expenses actually incurred by the Developer

(Mercy) related to the construction of the Mission Bay Branch Library. Ms. Susan Hildreth of the Public Library states that the Public Library would make monthly payments to Mercy to cover the costs of the development of the Mission Bay Branch Library as they occur and the City would become the owner of the Mission Bay Branch Library upon completion of the construction, which is to be no later than four years following the execution of the subject Agreement (See Comment No. 3).

Conditions of Sale

- The Mission Bay Branch Library will be conveyed by the Redevelopment Agency to the City in accordance with the approved Construction Plans and in "move-in condition."
- The Redevelopment Agency will execute a Declaration of Easement, Joint Use and Maintenance Agreement with the City requiring the Library Parcel, the Office Parcel and the Housing Parcel to share the costs of centralized portions of various building systems, including the uses and maintenance of the Heating Ventilation and Air Conditioning system (HVAC), the fire alarm system, and a portion of the main sewer and storm drain facility and the on-going costs of cleaning the exterior building, street landscaping, sidewalk maintenance and repair, and exterior lighting and other common areas and expenses, at an estimated annual cost to the Public Library of $2,500, according to Ms. Sims.
- The Public Library will have the right to use the community meeting room planned for the Housing Parcel, which will be owned by the Redevelopment Agency, and to rent two parking spaces from the Redevelopment Agency.[2]

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[2] The Public Library will have the right to use community meeting room planned for the ground floor of the Housing Parcel" for "non-commercial" activities consistent with the operation of the public branch library for up to 20 hours per week provided that the Public Library gives at least 60 days prior written notice of its need to use the community room and pays the Redevelopment Agency the actual costs of operating the community room based upon the Public Library's actual and proportionate use of the community room. The Public Library will have the right to rent two parking spaces at fair market from the Redevelopment Agency, and the right to use the loading dock and trash room located within the Housing Parcel at no additional cost to the Public Library. According to Ms. Sims, these costs have not yet been determined.

- The City would be prohibited from using the Library Parcel for anything other than the operation of a public branch library unless otherwise approved by the Redevelopment Agency for as long as the Redevelopment Agency owns the underlying land of the Housing Parcel and the Office Parcel.[3] According to Mr. Choy, the definition of "Library" is broadly defined to include any use approved by the Library Commission that supports cultural, education and/or recreational uses available to the general public.
- The City would be prohibited from selling or transferring the Library Parcel without written consent from the Redevelopment Agency for as long as the Redevelopment Agency owns the land of the Housing Parcel and the Office Parcel.
- The Redevelopment Agency would have a Right of Reverter (take back ownership of the Library Parcel) if the Public Library violates the use or sale/transfer restrictions set forth in the proposed Agreement. According to Mr. Choy, if the Redevelopment Agency exercised the Right of Reverter, the Redevelopment Agency would be required to reimburse the City for the amount of the final purchase price in addition to any depreciated costs of improvements made by the City.

The proposed ordinance waives the requirements of Chapters 6 and 12 of the San Francisco Administrative Code related to public works and contracting issues (see Comment No. 5), and authorizes the Director of Property to enter into any other documents or instruments that are necessary or advisable to complete the transaction, without Board of Supervisors approval.

Comments:

1. Attachment II to this report, provided by Ms. Sims, summarizes the Request for Qualification process and selection criteria, which shows that two nonprofit developers, Citizens Housing Corporation (CHS) and Mercy submitted proposals to develop the Housing, Office and Library Parcels. As shown in Attachment II, and according to Ms. Sims, Mercy was selected as the most qualified developer based on criteria as established by the Redevelopment Agency.

[3] While the Redevelopment Agency will sell the land to the City for the Library Parcel, the Redevelopment Agency would retain the land of the other two parcels (Housing and Office Parcels).

2. According to Ms. Hildreth, the General Obligation Bonds established by Proposition A "Branch Library Facilities Improvement Bonds, 2000" in the amount of $105,865,000 would fund 100 percent of the purchase price of the land and estimated construction costs for the Mission Bay Branch Library. Ms. Hildreth states that one of the intended purposes of the General Obligation Bond Measure was to allow the City to purchase and construct a new branch library in the Mission Bay Neighborhood.

3. According to Ms. Hildreth, the Public Library will finance the cost of construction, land and related costs for the Mission Bay Branch Library using General Obligation Bonds, rather than having the Redevelopment Agency use another construction financing strategy and then passing on the costs on to the Public Library. Ms. Hildreth notes that the City in making installment payments on the purchase price for the Mission Bay Branch Library will lower the costs of development because the approximate 3.5 percent interest rate of the General Obligation Bonds which the Public Library would use will be lower than the approximate 5.75 interest rate, which the Redevelopment Agency could secure using another financing strategy, such as a commercial construction loan. According to Ms. Sims, the Redevelopment Agency cannot issue Tax Increment Bonds for the purpose of constructing a public library. According to Mr. Choy, taking ownership of the property after the Branch Library is constructed limits the City's liability during construction.[4]

4. According to Mr. Charlie Dunn of the Division of Real Estate, on July 12, 2002, an independent appraiser engaged by the Department of Real Estate, Carneghi-

[4] Mr. Choy states that the Construction Rider attached to the Agreement, as Exhibit D requires the Redevelopment Agency and Mercy to complete the work in compliance with all laws, regulatory approvals, and in accordance with construction plans approved by the Library. According to Mr. Choy, the "Work" includes every activity necessary to design and construct the library improvements and all other aspects of the foundation, superstructure and infrastructure that serve the Library improvements. Mr. Choy notes that the Redevelopment Agency and Mercy are required to provide all labor, services, supplies, materials, equipment and testing necessary to perform the Work, and Section 6.1 of the Construction Rider requires the Redevelopment Agency to indemnify the City for any losses arising out of the performance of the Work.

Bautovich & Partners, Inc., conducted an appraisal of the Library Parcel and the proposed improvements, to be developed in accordance with the subject Agreement and the Construction Rider, and this appraiser valued the Mission Bay Branch Library at $3,300,000, or $130,350 less than the not to exceed purchase price of $3,430,350 under the subject Agreement. Mr. Dunn notes that although the not to exceed price of $3,430,350 is 3.95 percent higher than the appraised valued of $3,300,000, the not to exceed purchase price is consistent with the Real Estate Division's opinion of the Library Parcel value.

5. The proposed ordinance waives Chapters 6 and 12 of the San Francisco Administrative Code related to public works and contracting issues, including nondiscrimination requirements. According to Mr. Choy, the requirements of Chapters 6 and 12 of the Administrative Code do not apply to this transaction because the City neither owns the land that is being developed nor is entering into any of the design or construction contracts for the development of the Branch Library improvements. Mr. Choy states that the explicit wavier in the proposed Ordinance is to avoid any confusion as to the applicability of Chapter 6 and 12 to this project.

The proposed subject Agreement requires the payment of Prevailing Wages and contains standard non-discrimination provisions. The Redevelopment Agency will require Mercy to comply with the Redevelopment Agency's Equal Opportunity Program. According to Ms. Sims, the Redevelopment Agency's Equal Opportunity Program includes the Equal Benefits Ordinance of the City and County of San Francisco.

6. Under the proposed Agreement's Construction Rider (Exhibit D), the City can terminate the Agreement in the event that the purchase price presented at the end of the design phase exceeds $3,430,350. According to Ms. Hildreth, the estimated costs to design the Mission Bay Branch Library would be between $100,000 and $150,000. According to the Agreement, the City would be responsible for the design costs incurred by the Redevelopment Agency for the Branch Library as well as

for the costs to redesign the Parcel for another use, not to exceed the Library Parcel's design costs. Therefore, the estimated cost payable by the Public Library to the Redevelopment Agency for the Public Library to terminate the Agreement would range from an estimated $200,000 to $300,000, but could exceed $300,000 based on the actual costs to design the Library Parcel. However, a not to exceed dollar amount to terminate the Agreement between the Redevelopment Agency and the City is not specified in the Agreement. The source of funds to terminate the Agreement would be the Public Library's 2000 Branch Library Facilities Improvement Bonds, according to Ms. Hildreth.

7. Under the proposed Agreement, the Public Library could proceed with the purchase of the Mission Bay Branch Library for a price exceeding $3,430,350, without first obtaining Board of Supervisors approval.

8. Attachment III to this report, provided by Mr. George Nichols of the Library, explains that while the Library has not yet developed a detailed operating budget for the Mission Bay Branch Library, the Library has budgeted a .5 FTE in the FY 2002-2003 budget for a Librarian II position, and plans to make this position fulltime in its FY 2003-2004 budget. This position would be responsible for the Mission Bay Branch Library budget and related responsibilities. Mr. Nichols states that the operating costs for the Mission Bay Branch Library would be funded by the Library Preservation Fund[5]. According to Mr. Nichols, a preliminary estimate for the operating costs of the Mission Bay Branch Library is $383,000 annually.

9. The subject Agreement authorizes the Director of Property to make certain modifications and take certain actions in furtherance of this Ordinance that do not materially decrease the benefits to the City with respect

[5] The City Charter specifies that the Library Preservation Fund, approved by the voters as Proposition E in 1994, shall receive a minimum (baseline) appropriation amount from the General Fund, and such required baselines are adjusted by changes in the General Fund discretionary revenues. The Library Improvement Bond Fund monies are from the voter-approved 1988 Library Improvement Bond for $109,527,000. Mr. Nichols advises that of the original 1988 Library Improvement Bonds, $102.5 million was expended on the Main Library, and $4,831,284 was expended on the Branch Libraries for a total expenditure of approximately $107,331,284. Of the $4,831,284 expended on Branch Libraries, $359,641 for the Mission Branch, $1,826,506 for the Chinatown Branch, $1,005,066 for the Sunset Branch, $999,071 for the Park Branch and $641,000 for the Presidio Branch.

to the property and do not materially increase the obligations or liabilities of the City, without Board of Supervisors approval. According to Mr. Choy, this provision does not authorize the Director of Property to make changes that materially change the Agreement. Mr. Choy states that this provision is included in order to allow the Director of Property to have the flexibility make minor revisions all related documents without first obtaining Board of Supervisors approval.

Recommendations:

1. Amend the proposed Ordinance to require the Public Library to obtain separate Board of Supervisors approval if the purchase price of the Mission Bay Branch Library were to exceed $3,430,350.

2. Amend the Ordinance to state that approval of the Board of Supervisors requires that the Agreement be amended to establish a not to exceed cost payable by the Public Library to the Redevelopment Agency with respect to the Public Library's potential termination of the proposed Agreement with the Redevelopment Agency. This not to exceed cost could be $300,000 based on the estimated not to exceed cost of $150,000 for the design of the Branch Library, plus $150,000 for the Redevelopment Agency's redesign of the Parcel for some other use ($150,000 plus $150,000 equals $300,000) or some other not to exceed amount as determined by the Finance Committee.

3. Approval of the proposed ordinance, as amended, is a policy decision for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Attachment I

MISSION CREEK LIBRARY	
Development Cost Summary	
Library construction	
Core & shell:	1,016,681
Tenant imprvmts:	1,342,203
Gen'l conditions, OH&P	incl in above
Subtotal	2,358,884
Construction: contingency:	235,888
Total Construction	2,594,772
Total Development Costs	
1 Site-related	1,912
2. Financing	221
3. Owner/Developer	22,129
4. Design & Engineering	328,015
5. Permits & Fees	22,951
6. Construction (incl 10% cntngncy)	2,594,772
7. Property Mgmt-related	-
Project admin	297,000
Total Development Costs	3,267,000

Source: Redevleopment Agency, Pam Sims September 17, 2002

SUMMARY

On August 15, 2000, the Redevelopment Agency Commission approved Catellus' Major Phase Application for Blocks N3-N4a in Mission Bay North. Pursuant to the terms of the Mission Bay North Owner Participation Agreement between the Agency and Catellus ("OPA"), Block N3a contains the next Agency Affordable Housing Parcel, Parcel 1 of Block N3a (the "Site"). As required by the Agency's Mission Bay Affordable Housing Policy, the Agency issued a Request for Qualifications ("RFQ") on August 29, 2000, seeking nonprofit teams capable of developing and operating a 130-140 unit senior rental development on the Site for very low income households and related community and commercial space.

The Redevelopment Agency received Statements of Qualifications ("SOQs") from two nonprofit development teams by the response deadline. They are (1) Citizens Housing Corporation (CHC) in partnership with Northern California Presbyterian Homes & Services (NCPHS) as property manager and the Goldman Institute on Aging (GIA) as service provider, and (2) Mercy Housing California (Mercy) in partnership with Mercy Services Corporation and North & South of Market Adult Day Health (NSM) as service provider.

An interdisciplinary evaluation panel of Agency and City staff ("Evaluation Panel") reviewed the SOQs submitted by both teams and found that while both teams exceed the minimum qualifications established by the RFQ, the Mercy Team was most qualified to develop the Site.

The Request for Qualifications

On August 29, 2000, the Agency issued the RFQ requesting SOQs from qualified teams comprised of a nonprofit housing development corporation, a property management agent, a senior service provider and a design architect, to develop and operate 130-140 units of affordable senior rental housing and related space on the Site as described in more detail below:

- 130-140 residential units serving a mixture of frail and independent seniors;
- Shell space for the Mission Bay Branch Library ("Library") located on the ground floor, not to exceed 10,000 square feet;
- Shell space for neighborhood-serving retail located on the ground floor, not to exceed 5,000 square feet;
- Shell space for an Adult Day Health Center ("ADHC") located on the ground floor for 40-50 full-time clients, approximately 5,000- 6,000 square feet;
- Shell space for resident-serving nonprofit office space, not to exceed 25,000 square feet;
- A dining/food warming facility which can accommodate up to 50 persons to be shared between ADHC clientele and the general resident population;
- Meeting/conference space which can accommodate up to 100 persons to be

Source: Redevelopment Agency, Pam Sims, September 18, 2002.

shared between the ADHC, the Library, the senior housing, and the community; and
- Additional community facilities adequate to meet the needs of the senior population.

The RFQ and the proposed uses of the Site were developed in consultation with the Director of the Mayor's Office of Housing and the City's Consolidated Plan, as required by the Policy, and with representatives from Department of Public Health and the San Francisco Public Library. In addition, the Commission on Aging and the Mayor's Office of Community Development were also consulted.

Because of the prominence of the Site and the requirement for a distinctive design for the Library, the Agency required the submittal of a limited number of architectural drawings to demonstrate that each prospective developer has a thorough understanding of the development constraints and to obtain a sense of the approach that each would be take to designing the Site. The selected developer will submit Basic Concept and/or Schematic Drawings to the Commission for its approval at a later date. The Agency also required the submission of a preliminary financing plan to determine that the developer understands the financing programs and mechanisms adequately to work with Agency staff in developing an actual financing plan after selection.

<u>Developer Responses</u>

The Agency received SOQs from two nonprofit development teams by the response deadline. They are (1) Citizens Housing Corporation (CHC) in partnership with Northern California Presbyterian Homes & Services (Presbyterian Homes) as property manager and the Goldman Institute on Aging (Goldman) as service provider, and (2) Mercy Housing California (Mercy) in partnership with Mercy Services Corporation and North & South of Market Adult Day Health (NSM Adult Day Health) as service provider. The following is a summary of the development teams:

Source: Redevelopment Agency, Pam Sims, September 18, 2002.

Developer Name	CHC	Mercy
Property Manager	NCPHS	Mercy Services
Service Provider	Goldman Institute on Aging	NSM Adult Day Health
Design Architect	David Baker & Michael Willis	Hardison Komatsu Ivelich & Tucker

The following is a summary of basic facts about the development concepts of each team in comparison with the guidelines in the RFQ

	RFQ Guidelines	CHC Development Plan	Mercy Development Plan
Total Units	130-140	216	139
Frail Elderly Set-Aside	50 units	76 units	50 units
Location of Frail Elderly Units		Separate Building	Integrated
Library Space	10,0000	10,000 s.f.	10,000 s.f.
Nonprofit Office SF	Max 25,000 s.f.	16,608 s.f.	18,000 s.f.
Retail S.F.	Max 5,000 s.f.	3,500 s.f.	4,000 s.f
Dining, Meeting and Conference	Adequate to serve >150 people	5,200 s.f.	7,000 s.f.
Parking Spaces	Max 1 space/5 units + adequate loading	22	31
Construction Type		5-8 Floors Tota Type I / Type V	5 Floors Total Type V over Type I
Developer's three (3) Comparable SF Developments		1. Fell Street Apts. 2. Coleridge Park 3. O'Farrell Towers	1. Presentation Senior 2. 111 Jones Street 3. The Rose Hotel

Selection Criteria

The RFQ described the following *selection criteria*:

1) *Successful experience developing comparable rental developments in San Francisco in terms of:*
- *Construction type and design;*
- *Low Income Tax Credit and/or tax-exempt bond financing;*
- *Senior housing (preferably frail and non-frail);*
- *Inclusion of retail and commercial space; and*
- *Other type developments with a density over 50 units per acre in San Francisco.*

2) *Successful operating and property management experience with:*
- *Developments of similar size and configuration to the Site;*
- *Low Income Tax Credit and/or tax-exempt bond-financed developments;*
- *Senior housing developments (frail and non-frail);*

Source: Redevelopment Agency, Pam Sims, September 18, 2002.

- *Retail and commercial space with comparable density; and*
- *Other type developments with a density of over 50 units per acre in San Francisco.*

3) *Development team staff qualifications and capacity/workload.*

4) *Successful experience of the Adult Day Health Center operator/service provider in providing supportive services at facilities similar to the proposed ADHC and focusing on the assistance of frail elderly with Activities of Daily Living or equivalent.*

5) *Strength and constructability of design concept and the qualifications of Architectural Design Team and experience in comparable new construction developments.*

6) *Appropriateness of development and financing plans.*

7) *Ability to meet or exceed the goals of the Equal Opportunity Program.*

Evaluation Process

The developer selection evaluation panel consisted of the following persons:

- Marcia Rosen, Director, Mayor's Office of Housing
- Marc Trotz, Director of Housing Development, Department of Public Health
- Donna Corbeil, Chief of Branches, SF Public Library
- Anna Yee, Director of Planning, Mayor's Office of Community Development
- Pedro Arce, Planning Department Mission Bay Liaison
- Amy Neches, Mission Bay Senior Project Area Manager
- Penny Nakatsu and Andrico Penick, Agency Legal Staff
- Thomas Ma, Agency Senior Architect & Saiful Abedin, Agency Architect
- George Bridges, Agency Contract Compliance Specialist
- Matt Schwartz & Pam Sims, Agency Housing Division
- Alyson Gordon, Special Assistant to the Executive Director

To evaluate criteria 1, 2 and 4, the quality and comparability of each applicant's developments, as well as their design and operations (in San Francisco), the evaluation panel reviewed the comparable developments for each developer. To evaluate the relative qualifications and capacity of the key staff compared with current workload (criteria 3), the evaluation panel analyzed the projected workload of all key team member. To evaluate the appropriateness of the development plan, Agency architects Thomas Ma and Saiful Abedin and City planner Pedro Arce led the team through a detailed analysis of the relative merits of each concept in the context of the requirements of the Redevelopment Plan and Design for Development standards. Agency Housing staff analyzed the financial plans to insure that each developer demonstrated adequate knowledge of the key financial mechanisms proposed. Agency contract compliance staff

Source: Redevelopment Agency, Pam Sims, September 18, 2002.

George Bridges reviewed the developers' relative ability to meet or exceed the goals of the Equal Opportunity Program based on their past performance in San Francisco as well as the information submitted in their responses.

The evaluation panel then invited developers to a question and answer interview in which the team clarified the developers' respective qualifications, plans and assumptions. Following the developers interview, the team met several times to evaluate the developers' relative merits with respect to each of the criteria from the RFQ. Finally, the team reached a consensus as to the relative ranking of the developers. In all, the team met a half dozen times in preparing its evaluation.

Evaluation Results

1. *Successful experience developing comparable rental developments in San Francisco.*

While both teams have development experience in San Francisco, Mercy has developed many more comparable developments. Of Mercy's 19 developments in San Francisco, eight (8) serve seniors. In addition, its most recently completed senior development, Presentation Senior Housing, combines most of the major elements the Agency wishes to develop on the Site including a mixture of independent and frail elderly housing, an adult day health center, significant community space, and retail space. CHC, on the other hand, has not completed any new construction projects in San Francisco as an organization. The only senior housing CHC has completed in San Francisco is the acquisition last year of an existing 101-unit building in the Tenderloin. CHC is the co-developer for Kokoro Assisted Living, but this development has only just started construction. Two CHC staff members, including the executive director, have experience with comparable developments for their previous employers, but none of these were completed in San Francisco in the last five years. For these reasons, the panel concludes that Mercy is significantly stronger in this area at this time.

2. *Successful operating and property management experience with developments of similar size and configuration to the Site, developments financed by Low Income Tax Credit and/or tax-exempt bonds, frail and non-frail senior housing and retail and commercial space.*

Although Presbyterian Homes manages two well-respected low-income senior developments in San Francisco, Eastern and Western Park Apartments, and recently contracted to manage an 86-unit SRO for formerly homeless seniors, the Le Nain Hotel, Mercy Services' experience in San Francisco managing 16 low-income developments, including four (4) low-income senior developments (All Hallows, Francis of Assisi, Monsignor Lyne Community, and Notre Dame Plaza) is broader and deeper. In addition, Presbyterian Homes has no experience managing nonresidential space, which will be a significant issue in the management of the Site since there will be more than 30,000 s.f. of nonresidential space including nonprofit office space, the library, and the retail space. Mercy Services also has more experience in working with the requirements of the Low Income Housing Tax Credit program. Finally, the panel noted that Mercy Services has

an additional advantage as operator/manager in that it has many years of experience working with its development partner, Mercy Housing, and with its proposed service provider, NMS Adult Day Health, which should minimize coordination issues.

3. *Development team staff qualifications and capacity/workload.*

While both teams have strong development staff's and are very busy with other projects, Mercy's staff is deeper and appears to have more capacity given its workload at this time than CHC, which is still a relatively new organization with a small staff. The four Mercy development staff listed in the SOQ all have four (4) or more years experience (40 years combined) developing comparable low-income developments in San Francisco. The two CHC development staff listed in the CHC SOQ also has four or more years experience developing comparable low-income projects in San Francisco, although their combined experience is significantly less at 16 years. In addition, CHC stated in its SOQ that it planned to rely on two consultants (only one of whom was named) to provide part of its development staff for the project.

4. *Successful experience of the Adult Day Health Center operator/service provider in providing supportive services at facilities similar to the proposed ADHC and focusing on the assistance of frail elderly with Activities of Daily Living or equivalent.*

The evaluation panel found that both service providers are highly qualified to deliver services to the proposed population. While the Goldman Institute has greater institutional and financial resources at its disposal and has a number of many innovative ideas, NMS Adult Day Health has the advantage of having recently planned and completed the development of a similar facility, Presentation Senior Community, with its proposed development partner, Mercy. The panel was also impressed with NMS Adult Day Health's approach to integrating the frail elderly with the more independent seniors by offering a package of flexible services of varying levels of intensity that allow residents to age in place.

5. *Strength and constructability of design concept and the qualifications of Architectural Design Team and experience in comparable new construction developments.*

The evaluation panel spent a considerable amount of time analyzing the relative merits of both team's design concepts, as illustrated in the conceptual architectural plans and narratives included in each submission. While both design teams are well-qualified on paper, the design concepts proposed by the two teams are significantly different in a number of respects including building height, massing, and material choices and left the panel with different conclusions in the context of this prominent Agency site.

The panel found that a portion of a building along Fourth Street designed by CHC's architects, David Baker and Michael Willis, did not comply with the Mission Bay North Design for Development standards. Specifically, the Baker/Willis concept calls for an eight-story 84-foot tall building adjacent to Mission Creek despite the fact that the Design for Development only allows structures of not more than 65 feet within 100 feet of

Mission Creek. On the other hand, the panel liked the Baker/Willis approach of artfully combining several buildings of differing heights, orientation, and design into a cohesive senior campus. The panel found that the Baker/Willis design concept more successfully addressed the design guidelines contained in the RFQ including providing quality useable open space, views to Mission Creek and activating the pedestrian mews along the southwestern edge of the Site. The panel also like the distinctive design concept developed by Baker/Willis for the Library.

While the evaluation panel was impressed by the ability of the Mercy/HKIT approach to incorporate all of the land uses into a single five-story building, the panel was unanimous in finding the HKIT concept to be less distinctive. In particular, the panel felt that the HKIT concept as presented lacked adequate differentiation in massing (particularly on the Berry Street frontage), proposed using materials in proportions that would be difficult and expensive to construct, presented a less efficient ground floor circulation plan, and failed to provide quality useable open space. The panel was also concerned that the HKIT concept did not succeed in providing the Library with a distinctive design as requested by the RFQ.

The Mission Bay Citizens Advisory Committee (CAC) also reviewed the two designs and expressed a strong preference for the Baker/Willis concept. The CAC found the HKIT design to be unattractive and not in keeping with the quality of design of other Mission Bay developments. In conclusion, although a portion of the Baker/Willis design concept violates the Design for Development standards, the panel found that the Baker/Willis team would be more likely to develop a higher quality, distinctive design for this prominent site. The Panel recommended that, in the event the Agency selects Mercy as the developer, Mercy be required to develop a fundamentally new design concept.

6. Appropriateness of development and financing plans.

Both teams exhibited adequate knowledge of the key financial mechanisms that will be used in developing the Site although there was variation among the estimates of cost and subsidy required. The panel concluded that much of the variation stems from differences in assumptions rather than significantly different knowledge or experience. These variations are less important at this stage because the selected developer will work closely with Agency staff to create the most cost-effective financing plan possible.

7) Ability to meet or exceed the goals of the Equal Opportunity Program.

Staff found that both teams have complied with the Agency's Equal Opportunity Program and that there is not a significant difference between the teams on this point.

Source: Redevelopment Agency, Pam Sims, September 18, 2002.

September 25, 2002

TO: Elaine Forbes, Budget Analyst
Budget Analyst's Office

FR: George Nichols, Finance Director
San Francisco Public Library

RE: MISSION BAY OPERATING COSTS

The Mission Bay Branch Library is projected to open sometime in FY 2004-05. Operational costs will be borne by the Library Preservation Fund, the Library's main source of funding for the programs and services it provides. Although the branch library won't be fully operational until 2004-05, the Library is planning to add staff – in a phased approach –beginning in FY 2003-04. This staff will be in addition to a Librarian II position approved in the current year budget to assist in space and operational planning in advance of the opening of the branch library.[1] In addition, the Library in FY 2004-05 will budget funds to cover common area charges (CAM), program materials and supplies, and other operating expenses to support the operation of the branch. In reviewing the staffing needs of the Mission Bay Branch Library we plan on looking carefully at opportunities to temporarily redirect existing staff from other branch libraries that will be closed for renovations as part of the Branch Library Improvement Bond Program. Augmenting the Library's budget to cover operating costs for the new branch library will of course be subject to review and approval by the Board of Supervisors through the annual appropriation ordinance.

[1] The Librarian II (3632) is a full-time position with a budgeted start date of January 1, 2003. Funding for the position was appropriated in the 2002-03 AAO.

September 25, 2002

TO: Elaine Forbes, Budget Analyst
Budget Analyst's Office

FR: George Nichols, Finance Director
San Francisco Public Library

RE: MISSION BAY OPERATING COSTS

The Mission Bay Branch Library is projected to open sometime in FY 2004-05. Operational costs will be borne by the Library Preservation Fund, the Library's main source of funding for the programs and services it provides. Although the branch library won't be fully operational until 2004-05, the Library is planning to add staff – in a phased approach –beginning in FY 2003-04. This staff will be in addition to a Librarian II position approved in the current year budget to assist in space and operational planning in advance of the opening of the branch library.[1] In addition, the Library in FY 2004-05 will budget funds to cover common area charges (CAM), program materials and supplies, and other operating expenses to support the operation of the branch. In reviewing the staffing needs of the Mission Bay Branch Library we plan on looking carefully at opportunities to temporarily redirect existing staff from other branch libraries that will be closed for renovations as part of the Branch Library Improvement Bond Program.

We are at the beginning stage of scoping the budget for programs and services at the branch that drive staffing and other operational costs at the new branch library. Our plan is to begin including these costs in our budget request for FY 2003-04 if appropriate. At this point in time we estimate that once fully operational, staffing will consist of 1.0 FTE Librarian II (3632), 1.0 FTE Librarian I (3630)[2], 1.0 FTE Librarian Technician (3616), 1.0 FTE Librarian Assistant (3610), and 1.5 FTE Library Pages (3602)[3]. We estimate ongoing staffing costs at $300,000 annually. In addition we are estimating operating costs of $33,000 annually for CAM, utility, telecommunications, and program materials and supplies. We also estimate ongoing purchases for new and replacement materials for the branch collection (e.g., books, audio/visual, periodicals, etc.) at $50,000 annually[4]. Based on this very preliminary assessment, the annual cost of operating this branch would be around $383,000.

Augmenting the Library's budget to cover operating costs for the new branch library will of course be subject to review and approval by the Board of Supervisors through the annual appropriation ordinance.

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[1] The Librarian II (3632) is a full-time position with a budgeted start date of January 1, 2003. Funding for the position was appropriated in the 2002-03 AAO.
[2] Children's Librarian.
[3] Consists of four 15 hour/week page positions.
[4] Allocation for the Mission Bay Branch Library would be budgeted as part of the Library's system-wide budget for books and materials.

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

Wednesday, October 09, 2002 | 12:30 PM | City Hall, Room 263

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Sophie Maxwell.

MEETING CONVENED

The meeting convened at 12:34 p.m.

021579 **[Prevailing Wage]**

Resolution fixing the highest general prevailing rate of wages for various crafts and kinds of labor, and for janitorial services, as paid for similar work in private employment in the City and County of San Francisco, at the rates certified to the Board by the Civil Service Commission on September 16, 2002. (Civil Service Commission)

(No Public Benefit Recipient.)

9/25/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Janet Bosnich, Compensation Manager, Department of Human Resources, Employee Relations Division; Kate Favetti, Executive Officer, Civil Service Commission.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021296 **[Entertainment Commission]**

Supervisor Newsom

Ordinance amending the San Francisco Administrative Code to (i) enact a new Section 10.100-296 establishing the San Francisco Entertainment Commission Fund, and (ii) amend Section 90.9 of Chapter 90 relative to the fees for licenses and permits issued by the San Francisco Entertainment Commission.

7/22/02, RECEIVED AND ASSIGNED to Finance Committee. (9/13/02 - Referred to Small Business Commission for comment and recommendation.)

9/13/02, REFERRED TO DEPARTMENT. Referred to Small Business Commission for comment and recommendation.

Heard in Committee. Speakers: Supervisor Leno; Ben Rosenfield, Mayor's Budget Office.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021458 [Amend Police Code Section 1070.16]

Supervisors Leno, Daly, Gonzalez

Ordinance amending San Francisco Police Code Section 1070.16 to allow adults over the age of 18 into after hours premises.

NOTE: This action requires two-thirds vote. The Board may not amend the ordinance and may only vote in favor or in opposition to the veto override.
The Board of Supervisors must act on the veto override within 30 days of the date of the veto. The Mayor vetoed the Ordinance on November 15, 2002. Therefore, the Board will loose the ability to override the veto unless it votes on the veto override on or before December 15, 2002.

(November 15, 2002 - Returned disapproved by Mayor;
November 18, 2002 - Consideration scheduled for November 25, 2002.)

8/19/02, ASSIGNED UNDER 30 DAY RULE to Public Works and Public Protection Committee, expires on 9/18/2002.

9/19/02, TRANSFERRED to Finance Committee. (10/10/02 - Referred to Youth Commission for comment and recommendation.)

Heard in Committee. Speakers: Supervisor Leno; Ben Rosenfield, Mayor's Budget Office; John Wood, Legislative Analyst, San Francisco Late Night Coalition; Terrence Allen, San Francisco Late Night Coalition; Kathy Peck, Executive Director, Hearing Education and Awareness for Rockers (H.E.A.R.); Frederick Hobson, District 6 Democratic Club; Liam Shy, local DJ; Richard Roebuck; Dr. Stephen Ellis; Theodore Lakey, Deputy City Attorney.
Supervisor Daly added as co-sponsor.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021459 [Amend Police Code Sections 1060.28 and 1070.27]

Supervisors Leno, Daly, Gonzalez

Ordinance amending San Francisco Police Code Sections 1060.28 and 1070.27 to require places of entertainment and after hours premises with a dance floor and a capacity of 500 persons or more to provide or sell at a reasonable cost earplugs to patrons.

8/19/02, ASSIGNED UNDER 30 DAY RULE to Public Works and Public Protection Committee, expires on 9/18/2002.

9/19/02, TRANSFERRED to Finance Committee.

Heard in Committee. Speakers: Supervisor Leno; Ben Rosenfield, Mayor's Budget Office; John Wood, Legislative Analyst, San Francisco Late Night Coalition; Terrence Allen, San Francisco Late Night Coalition; Kathy Peck, Executive Director, Hearing Education and Awareness for Rockers (H.E.A.R.); Frederick Hobson, District 6 Democratic Club; Liam Shy, local DJ; Richard Roebuck; Dr. Stephen Ellis; Theodore Lakey, Deputy City Attorney.
Supervisor Daly added as co-sponsor.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021460 **[Amend Police Code Sections 1060.5 and 1070.5]**

Supervisors Leno, Daly

Ordinance amending San Francisco Police Code Section 1060.5 and 1070.5 to require 30 days notice of permit application for place of entertainment and after hours premises.

8/19/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 9/18/2002. (9/13/02 - Referred to Small Business Commission for comment and recommendation.)

Heard in Committee. Speakers: Supervisor Leno; Ben Rosenfield, Mayor's Budget Office; John Wood, Legislative Analyst, San Francisco Late Night Coalition; Terrence Allen, San Francisco Late Night Coalition; Kathy Peck, Executive Director, Hearing Education and Awareness for Rockers (H.E.A.R.); Frederick Hobson, District 6 Democratic Club; Liam Shy, local DJ; Richard Roebuck; Dr. Stephen Ellis; Theodore Lakey, Deputy City Attorney.
Supervisor Daly added as co-sponsor.
Amended on page 2, line 3, and on page 4, line 6, after "days," by adding the following: "Notice of such hearing shall be mailed by the Chief of Police at least 30 days prior to the date of such hearing to any person who has filed a written request for such notice."

AMENDED.

Ordinance amending San Francisco Police Code Sections 1060.5 and 1070.5 to require 30 days notice of permit application for place of entertainment and after hours premises.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021461 **[Amend Police Code Section 1024]**

Supervisors Leno, Daly, Gonzalez

Ordinance amending Section 1024 of the San Francisco Police Code to remove references to "moral character" of applicant and to allow Chief of Police to consider criminal and permit history of applicant in determining whether to grant or deny application.

8/19/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 9/18/2002. (9/13/02 - Referred to Small Business Commission for comment and recommendation.)

Heard in Committee. Speakers: Supervisor Leno; Ben Rosenfield, Mayor's Budget Office; John Wood, Legislative Analyst, San Francisco Late Night Coalition; Terrence Allen, San Francisco Late Night Coalition; Kathy Peck, Executive Director, Hearing Education and Awareness for Rockers (H.E.A.R.); Frederick Hobson, District 6 Democratic Club; Liam Shy, local DJ; Richard Roebuck; Dr. Stephen Ellis; Theodore Lakey, Deputy City Attorney.
Supervisor Daly added as co-sponsor.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021315 **[Contracting out Janitorial Services]**

Resolution concurring with the Controller's Certification that janitorial services can be practically performed at the Asian Art Museum under private contract at a lesser cost than similar work performed by employees of the City and County. (Asian Arts Commission)

7/29/02, RECEIVED AND ASSIGNED to Finance Committee.

8/21/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Dr. Emily Sano, Director, Asian Art Museum; Monique Zmuda, Deputy Controller; Linus Black; Rebecca Miller, SEIU, Local 790; Andre Spearmon, SEIU, Local 790; Ben Rosenfield, Mayor's Budget Office.
Continued to 9/25/02.

9/25/02, CONTINUED. Speakers: None.
Continued to 10/2/02.

10/2/02, CONTINUED. Speakers: None.
Continued to 10/9/02.

Speakers: None.

TABLED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021507 **[Appropriation for janitorial staff at the Asian Art Museum]**

Supervisor Daly

Ordinance appropriating $243,889 from the General Fund Reserve and reappropriating $247,000 in professional services for a total of $490,889 for janitorial staff for the Asian Art Museum for fiscal year 2002-03.

(Fiscal impact.)

8/26/02, RECEIVED AND ASSIGNED to Finance Committee.

Speakers: None.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021529 **[Public Employment - Asian Art Museum]**

Supervisor Daly

Ordinance amending Annual Salary Ordinance 2002/03 reflecting the creation of eight positions (7.5FTEs) at the Asian Art Museum.

(Fiscal impact; Companion measure to File 021507.)

8/26/02, RECEIVED AND ASSIGNED to Finance Committee.

Speakers: None.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021310 **[PUC contract with Primus Infrastructure and Jacobs Civil Inc. for program management services.]**
Supervisor Peskin

Hearing regarding the Public Utilities Commission's progress toward implementing its contract with Primus Infrastructure and Jacobs Civil Inc. for program management services.

7/22/02, RECEIVED AND ASSIGNED to Finance Committee.

9/25/02, CONTINUED. Speakers: None.
Continued to 10/9/02.

Heard in Committee. Speakers: Patricia Martel, General Manager, Public Utilities Commission; Ken Bruce, Budget Analyst's Office; Don Birrer; Lisa Feldstein, Policy Analyst, International Federation of Professional and Technical Engineers (Local 21); David Novogrodsky, Executive Director, International Federation of Professional and Technical Engineers (Local 21); Karen Cubic, CIP Manager, Public Utilities Commission.

FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

ADJOURNMENT

The meeting adjourned at 2:40 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

October 3, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: October 9, 2002 Finance Committee Meeting

Item 1 - File 02-1579

Department: Civil Service Commission
Department of Human Resources

Item: Resolution fixing the highest general prevailing rate of wages for construction[1] and janitorial services for contractors of the City to pay their employees, at the rates certified to the Board by the Civil Service Commission on September 16, 2002 (Civil Service Commission File No. 0675-02-1).

Description: Administrative Code Section 6.22 requires that City contractors, which have been awarded contracts for public works or improvement projects pay their employees the highest prevailing wage rates[2]. In addition, in May of 1999, the Board of Supervisors amended Section 21.25-1 of the City's Administrative Code to require that City contractors awarded contracts by the City to perform janitorial services at facilities owned or leased by the

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[1] Construction and construction related work is referred to in the Administrative Services as *various crafts and kinds of labor*.
[2] Prevailing rate of wage is the rate of compensation being paid to a majority of workers engaged in a specified category of craft or labor.

City, have a provision in the contract that requires the contractor to pay their employees who perform such janitorial services at wage rates which are not less than the prevailing rate of wages as determined by the Civil Service Commission and approved by the Board of Supervisors.

Section 6.22 requires that the Board of Supervisors, at least once during each calendar year, fix and determine the highest general prevailing rate of wages, including the rate of wages for overtime and holiday work, paid in accordance with the Charter Section 7.204. The proposed resolution would establish the highest prevailing rate of wages which City contractors are required to pay their employees for work performed under a City contract for construction and janitorial services work.

In accordance with Section 6.22, to assist the Board of Supervisors in determining the prevailing rate of wages, the Civil Service Commission is required to furnish to the Board of Supervisors, on or before the first Monday of November of each year, data as to the highest general prevailing rate of wages as paid by private employers for construction and construction related work and for janitorial services work done in San Francisco. Section 6.22 states that the Board of Supervisors is not limited to the data submitted by the Civil Service Commission in determining the prevailing rate of wages, but may consider other information on the subject as the Board of Supervisors deems proper.

The Civil Service Commission has provided the Board of Supervisors with the following data for determining the highest general prevailing rate of wages: (a) the General Prevailing Wage Determination Survey conducted by the Director of Industrial Relations of the State of California for construction and construction related work, (b) the existing agreement, in effect through November 30, 2003, between Parking Employers and Teamsters Automotive Employees, Local 665 for Garage Attendants[3] and (c) the

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[3] According to Ms. Molly Stump of the City Attorney's Office, in March of 1989, the Board of Supervisors amended the City's Administrative Code to include the operation of off-street-parking lots or garages under the term "public work or improvements" as defined by Section 6.33 in order to provide prevailing wages to Garage Attendant employees of contractors operating in City-owned or

existing agreement effective August 1, 1999 through July 31, 2003, between San Francisco Maintenance contractors Association and the Service Employees International Union (SEIU), Building Service Employees Local 87 for Janitors and Custodians.

Comment: A copy of the data submitted to the Board of Supervisors by the Civil Service Commission on September 16, 2002, as to the highest general prevailing rate of wages paid by private employers to construction and construction related employees and janitors for work done in San Francisco is on file with the Clerk of the Board of Supervisors. A list of the work types covered in the data submission is attached to this report.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

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leased garages. However, in 1999 the Board of Supervisors amended Chapter 6 of the Administrative Code and deleted references to employees working in off-street parking lots and garages owned or leased by the City. Ms. Stump made the Civil Service Commission aware that garage attendants are no longer covered and as a consequence, the Civil Service Commission did not certify the prevailing rate of wage for parking attendants. However, data related to parking attendants is included in the data that the Civil Service Commission has submitted to the Board of Supervisors and in the Attachment to this report.

General Prevailing Wage Determination made the Director of Industrial Relations, State of California

Asbestos Removal Worker (Laborer)
Asbestos Worker, Heat and Frost Insulator
Boilermaker-Blacksmith
Brick Tender
Bricklayer, Blocklayer
Carpenter
Carpet, Linoleum
Cement Mason
Dredger (Operating Engineer)
Drywall Installer (Carpenter)
Electrical Utility Lineman
Electrician
Elevator Constructor
Field Surveyor
Glazier
Iron Worker
Janitors*
Laborer
Landscape Maintenance Laborer
Light Fixture Maintenance
Marble Finisher
Marble Setter
Operating Engineer
Operating Engineer (Building Construction)
Operating Engineer (Heavy and Highway Work)
Operating Engineer (Landscape Construction)
Painter
Parking and Highway Improvement Painter (Laborer)
Parking and Highway Improvement Painter (Painter)
Parking Garage Attendants*
Pile Driver (Carpenter)
Pile Driver (Operating Engineer - Building Construction)
Pile Driver (Operating Engineer - Heavy and Highway Work)
Plaster Tender
Plasterer
Plumber
Roofer
Sheet Metal Worker (HVAC)
Slurry Seal Worker
Stator Rewinder
Steel Erector and Fabtricator (Operating Engineer - Heavy & Highway Work)
Steel Erector and Fabtricator (Operating Engineer - Building Construction)
Teamster
Telecommunications Technician
Telephone Installation Worker
Terrazzo Worker
Tile Finisher
Tile Setter
Traffic Control/Lane Closure (Laborer)
Tree Trimmer (line clearance)
Tunnel Worker (Laborer)
Tunnel/Underground (Operating Engineer)
Water Well Driller
* occupational categories added at the request of the Board of Supervisors

~ME0002B.xls

Source: Department of Human Resources

Item 2 - File 02-1296

Item: Ordinance amending the San Francisco Administrative Code to (i) enact a new Section 10.100-296 establishing the San Francisco Entertainment Commission Fund, and (ii) amend Section 90.9 of Chapter 90 relative to the fees for licenses and permits issued by the San Francisco Entertainment Commission.

Description: The proposed ordinance would establish the San Francisco Entertainment Commission Fund (Fund) as a "category four fund" under the provisions of Article XIII of the Administrative Code. Under Article XIII of the Administrative Code, monies deposited into a category four fund earn interest on the principal, which is then credited to the Fund. Expenditure of all monies in this Fund would require appropriation approved by the Mayor and the Board of Supervisors. Those monies in a category four fund that remain unexpended and unencumbered at the end of the fiscal year are carried forward to the next fiscal year.

In July of 2002, the Board of Supervisors approved an ordinance establishing the San Francisco Entertainment Commission, effective on July 1, 2003, by adding a new Chapter 90 to the Administrative Code (File 02-0783). At that time the Board of Supervisors also approved submission to the voters for the November 5, 2002 election of a Charter Amendment (Proposition F) establishing the composition and appointment of members to the Entertainment Commission (File 02-0805).

If approved by the San Francisco voters, the Charter Amendment would stipulate that the San Francisco Entertainment Commission, as of July 1, 2003, would consist of seven members, four appointed by the Mayor and three appointed by the Board of Supervisors. In the event that Proposition F is not approved by the voters, the San Francisco Entertainment Commission would become effective July 1, 2003 with the Mayor appointing all of the members of the Commission, as currently provided for all Commission appointments in the City Charter. The City Charter states that the Mayor shall "make appointments

to boards and commissions which shall be effective immediately and remain so, unless rejected by a two-thirds vote of the Board of Supervisors within 30 days following transmittal of Notice of Appointment," unless otherwise specifically provided.

The proposed ordinance provides that all monies payable to the City for "entertainment-related permits," as defined in Chapter 90 of the Administrative Code, and any other permits or licenses that are or may come under the jurisdiction of the Entertainment Commission, would be deposited into the Fund, as of July 1, 2003. All fines paid for violations of provisions of the San Francisco Police Code relating to "entertainment-related permits" would also be deposited into the Fund. Under the proposed ordinance, expenditures from the Fund may be used only for Entertainment Commission costs, including administrative costs pursuant to Section 10.194 of the Administrative Code.

Chapter 90 of the Administrative Code currently provides that the Entertainment Commission must submit an annual report to the Mayor and the Board of Supervisors which includes (a) an analysis of the fee revenue generated from the issuance, renewal and processing of applications for entertainment-related permits, and (b) fee proposals for the purpose of covering the annual operating costs of the Commission. The current Chapter 90 language also provides that "within three years of the operative date of the Article, "the Board of Supervisors shall establish fees for entertainment-related permits at levels sufficient to cover the estimated annual operating costs of the commission."

This proposed ordinance would also amend Chapter 90 of the Administrative Code to add a provision that the Entertainment Commission is required, as part of the aforementioned annual report to the Mayor and the Board of Supervisors, to review and analyze on an annual basis: (a) the existing fee structure for entertainment-related permits, (b) new permits related to cultural, entertainment, and/or athletic events and venues as may be proposed by the Commission, (c) graduated fees for entertainment-related permits, and (d) other related

matters appropriate for the Commission to become financially self-sustaining.

Comment: Four ordinances amending San Francisco Police Code (Items 3 through 6, Files 02-1458, 02-1459, 02-1460 and 02-1461) will also be heard by the Finance Committee at the October 9, 2002 meeting.

- File 02-1458 would amend Police Code Section 1070.16 to allow adults over the age of 18 into after hours premises. Currently, the Police Code provides that no person under 21 years of age is allowed into after hours premises.
- File 02-1459 would amend Police Code Sections 1060.28 and 1070.27 to require places of entertainment and after hours premises with a dance floor and a capacity of 500 persons or more to provide or sell at a reasonable cost earplugs to patrons.
- File 02-1460 would amend Police Code Sections 1060.5 and 1070.5 to require 30 days public notice related to hearings for a permit application for places of entertainment and after hours premises. Currently, the Police Code requires 10 days notice for hearings on permit applications.
- File 02-1461 would amend Police Code Section 1024, to remove references to "moral character" of permit applicants and to allow the Chief of Police to consider criminal history and prior permits of applicants for permits in determining whether to grant or deny permits to such applicants. Currently, the Police Code requires applicants to furnish evidence of "good moral character" and provides that the Chief of Police consider "moral character" as a factor in issuing or granting a permit.

Since the proposed ordinances do not have fiscal impact, the Budget Analyst has not prepared a report pertaining to these other four proposed ordinances.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 7 – File 02-1315

Note: This item was continued from the October 2, 2002 Finance Committee Meeting.

Department: Asian Art Museum

Item: Resolution concurring with the Controller's certification that janitorial services at the Asian Art Museum can be practically performed by a private contract at a lower cost than similar work services performed by City and County employees.

Services to be Performed: Janitorial services at the Asian Art Museum

Description: Charter Section 10.104 provides that the City may contract with private firms for services that can be practically performed for a lower cost than similar work performed by City employees.

The Controller has determined that contracting for janitorial services at the Asian Art Museum for FY 2002-03 would result in estimated savings as follows:

City-Operated Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$441,559	$522,290
Fringe Benefits	138,536	151,227
Equipment	10,284	10,284
Total	$590,379	$683,801
Contractual Services Cost*	(372,527)	(372,921)
Estimated Savings	$217,852	$310,880

* The Contractual Services Cost difference is due to the inclusion of City contract monitoring costs at the lowest and highest salary steps.

Comments: 1. The Asian Art Museum closed its operations at its Golden Gate Park facility on October 7, 2001 and will reopen at its new Civic Center facility in January of 2003. In the past, the M.H. de Young Museum and the Asian Art Museum used to be located in the same building in Golden Gate Park. Janitorial services for the shared portions of the Golden Gate Park facility, including the entry way and the restrooms, were provided by 2.0 FTE

2708 Custodian positions and funded in the Fine Arts Museum budget. Mr. Steve Dykes of the Fine Arts Museum reports that the 2.0 FTE 2708 Custodian positions that provided janitorial services for the shared portions of the Golden Gate Park facility continue to be included in the Fine Arts Museum budget. Mr. Dykes further reports that these two positions currently provide janitorial services at the Palace of the Legion of Honor.

In addition to the 2.0 FTE 2708 Custodian positions included in the Fine Arts Museum budget, for the past nine years, the Asian Art Museum Foundation has paid approximately $55,000 per year for a janitorial services contract for the upkeep of the Asian Art Museum exhibit space and administrative offices at the Golden Gate Park facility, according to Ms. Ikuko Satoda of the Asian Art Museum. According to Ms. Satoda, the janitorial services contract for upkeep of Asian Art Museum space at the Golden Gate Park facility, paid for by the Asian Art Museum Foundation, was terminated when the Asian Art Museum closed its operations at its Golden Gate Park facility in October of 2001. In the attached memorandum (Attachment I), Ms. Satoda provides additional information on the provision of custodial services at the Asian Art Museum.

Ms. Satoda advises that the janitorial services contract for upkeep of the Museum's new Civic Center facility is anticipated to begin on November 1, 2002. Therefore, the Fiscal Year 2002-03 Asian Art Museum budget includes funding of $247,000 for eight months of a janitorial services contract.

2. The Contractual Services Cost used for the purpose of the analysis is based on (a) the Asian Art Museum's estimated FY 2002-03 costs to provide janitorial services for a full 12 months based on the associated workload at the new Civic Center facility and the industry standards for the cost of providing such janitorial services, and (b) the salary and fringe benefits at the lowest and highest salary steps of 0.25 FTE 7120 Buildings and Grounds Maintenance position at the Asian Art Museum to monitor the contract.

3. According to Ms. Emily Sano of the Asian Art Museum, the Department would issue a Request for Proposals (RFP) for the Asian Art Museum's janitorial services contract immediately upon approval of the subject resolution.

4. Attachment II, provided by the Asian Art Museum, is the Controller's supplemental questionnaire, with the responses from the Asian Art Museum.

5. Item 8, File 02-1507 in this report to the Finance Committee is a supplemental appropriation ordinance for $490,889. On an annual basis, the estimated cost to conduct janitorial services on an in-house Civil Service basis is at least $500,000 which is $127,079 or 34 percent more than the proposed contract amount of $372,921 included in the Controller's subject proposed certification. Item 9, File 02-1529 is a companion amendment to the Annual Salary Ordinance to create ten new in-house Civil Service custodian positions for the Asian Art Museum. Therefore, this proposed resolution (File 02-1315), to approve the Controller's certification that janitorial services at the Asian Art Museum can be performed at a lower cost by a private contractor than by in-house Civil Service positions is a policy matter for the Board of Supervisors since the Board is also considering to have such janitorial services conducted on an in-house Civil Service basis instead of contracting out such services.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Attachment I

Asian Art Museum of San Francisco
Memorandum

TO: Anna LaForte, Budget Analyst Office

FROM: Ikuko Satoda, Asian Art Museum

DATE: August 13, 2002

Re: Custodial Services

This memo is in response to your question regarding the City's responsibility in maintaining the City's new building, Asian Art Museum.

For its entire existence the Asian Art Museum has relied on the promise of the City Charter (Sec. 16.106) to maintain the integrity of the Museum and its collections. For most of our history, the City contribution to security, custodial and building maintenance was part of the Fine Arts Museums' budget and to be performed by civil service employees. Nine years ago, due to the budget reduction and administrative oversight, the funds for services provided to FAM by the City were significantly reduced, and one custodial position for the AAM was eliminated. In order to maintain the building at Golden Gate Park at an acceptable level, the Asian Art Foundation has been supplementing the custodial services by engaging outside janitorial services for several years.

Since we are opening a newly renovated facility, which has been paid for largely with private funds as a gift to the City and County of San Francisco, we were assured continuing City support to resume the responsibility of maintaining the City's brand new building by appropriating the costs of custodial services again to the Asian Art Museum.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: __Asian Art Museum________________________

CONTRACT SERVICES: _Janitorial Services____________________

CONTRACT PERIOD: ___One Year____________________________

(1) Who performed the activity/service prior to contracting out?

N/A since the facility is brand new.

(2) How many City employees were laid off as a result of contracting out?

None

(3) Explain the disposition of employees if they were not laid off.

N/A

(4) What percentage of City employees' time is spent of services to be contracted out?

N/A

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Never up to now. It will be ongoing request.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

FY 02-03 will be the first year.

(7) How will the services meet the goals of your MBE/WBE Action Plan?

Meet MBE requirement.

(8) Does the proposed contractor provide health insurance for its employees?

Assumed "yes" since the vendor is on the City approved list.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Assumed "yes" since the vendor is on the City approved list.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Assumed "yes" since the vendor is on the City approved list.

Department Representative: __Ikuko Satoda____________________

Telephone Number: __415-557-6813_________________________

Items 8 and 9 - Files 02-1507 and 02-1529

Department: Asian Art Museum

Items: File 02-1507: Supplemental appropriation ordinance for $243,889 from the General Fund Reserve and reappropriating $247,000 in professional services for a total of $490,889 to provide for in-house Civil Service janitorial services at the Asian Art Museum.

File 02-1529: Ordinance amending the Fiscal Year 2002-2003 Annual Salary Ordinance to create ten[1] new positions (7.5 FTEs) at the Asian Art Museum to provide for in-house Civil Service janitorial services.

Amount and Source of Funds:

$243,889	General Fund Reserve
$247,000	Reappropriation from professional services included in the Fiscal Year 2002-2003 budget of the Asian Art Museum
$490,889	Total

Budget: The following table shows the estimated costs of providing janitorial services at the Asian Art Museum in Fiscal Year 2002-03 beginning on October 1, 2002.

	Costs Contained in Proposed Ordinance
Permanent Salaries	$326,550
Temporary Salaries	17,466
Premium Pay	3,940
Overtime	9,154
Mandatory Fringe Benefits	77,429
Other Current Services	56,350
TOTAL	$490,889

Additional information on the above budget is contained in the Description Section of this report.

Description: The Asian Art Museum closed on October 7, 2001 and will reopen at its new Civic Center facility in January of 2003.

[1] The title of the proposed ordinance, File 02-1529, incorrectly states that eight new positions would be created. The correct number of new positions is ten.

According to Ms. Ikuko Satoda of the Asian Art Museum, the Asian Art Museum's art collection will be moving from a storage facility to the new Civic Center facility beginning on October 17, 2002. The proposed ordinance, File 02-1529, would amend the Fiscal Year 2002-2003 Annual Salary Ordinance to reflect the creation of ten new custodial positions (7.5 FTEs based on an October 1, 2002 hire date) for the Asian Art Museum. File 02-1507 would authorize a supplemental appropriation in the amount of $490,889, including $243,889 from the General Fund Reserve and $247,000 from monies previously appropriated by the Board of Supervisors in the Department's Fiscal Year 2002-2003 budget for contractual services. Such funds would be used by the Asian Art Museum to hire ten new positions (7.5 FTEs), and to pay for related expenses to provide janitorial services for the Asian Art Museum on an in-house Civil Service basis instead of contracting out such janitorial services as is being proposed under Item 7, File 02-1315 contained in this report to the Finance Committee.

Specifically, the Department is requesting the following:

<u>Permanent Salaries ($326,550)</u>

Funds have been requested to hire ten new positions (7.5 FTEs) at the lowest salary step with a hire date of October 1, 2002. However, the Department now anticipates filling the ten new positions as of November 1, 2002 at the highest salary step, resulting in a net decreased need of $27,952, from $326,550 to $298,598. Ms. Satoda explains in the attached memorandum (Attachment I) that the Department is now requesting that the ten new positions be hired at the highest salary steps instead of at the lowest salary steps as originally requested because the Department anticipates that "The custodial positions would most likely be filled by transfers from other departments with salaries higher than the starting salary rate."

The following table shows the annual cost of the requested 10 positions at Step 1 and Step 5:

No. of Annualized Positions	Classification	Title	Step 1 (Biweekly-Annual)	Step 5 (Biweekly-Annual)
8	2708	Custodian	$1,381 $36,044	$1,674 $43,691
1	2716	Custodial Assistant Supervisor	$1,517 $39,594	$1,840 $48,024
1	2718	Custodial Supervisor	$1,670 $43,587	$2,028 $52,931

Based on Fiscal Year 2002-2003 salary data, the annual cost of the requested 10 positions would range from $456,986 at Step 1, including salaries of $371,533 and mandatory fringe benefits of $85,453, to $554,094 at Step 5, including salaries of $450,483 and mandatory fringe benefits of $103,611.

Temporary Salaries ($17,466)

As previously noted, the Asian Art Museum's art collection will be moving from a storage facility to the new Civic Center facility beginning on October 17, 2002. Ms. Satoda states in the attached memorandum (Attachment II), "The Museum's security staff and engineering staff will take over the building and help secure the City's collection. Preparation for the move, clean up after the move and maintenance of the building will need to begin by October 17, 2002." Although the proposed ordinance, File 02-1507, includes $17,466 for Temporary Salaries, according to Ms. Satoda, the Museum is now requesting $29,816 in Temporary Salaries or $12,350 more than the original request, including $16,755 for the move period of October 17, 2002 through October 31, 2002 and $13,061

for temporary staff to clean up after evening events at the Asian Art Museum throughout Fiscal Year 2002-03.

Premium Pay ($3,940)

According to the provisions of the City's Memorandum of Understanding for Local 790, janitorial staff would be paid 8% more than the base rate for each hour worked between 5:00 p.m. and 7:00 a.m. and 10% more than the base rate for each hour worked between the hours of midnight and 7:00 a.m. The Department is now requesting $4,422 for premium pay, an increase of $482 over the amount included in the proposed ordinance of $3,940. Ms. Satoda explains in Attachment I, "All prior premium pay and overtime calculations were done using the low end of the salary ranges. Both premium and overtime were recalculated using the high end of the salary ranges."

Overtime ($9,154)

According to Ms. Satoda, the original request of $9,154 in overtime expenses was based on eight holidays during which the Asian Art Museum would be closed to the public but janitorial services would be needed. The Department is now requesting $10,859, an increase of $1,705 over the amount included in the proposed ordinance based on the cost of Overtime at the highest salary step instead of at the lowest salary step.

Mandatory Fringe Benefits ($77,429)

According to Ms. Satoda, the Department calculated Mandatory Fringe Benefits at a rate of 23 percent for Permanent Salaries, Premium Pay and Overtime, and calculated Mandatory Fringe Benefits at a rate of 7.6 percent for Temporary Salaries. The decreased amount now being requested for Permanent Salaries offset by the increased amount now requested for Temporary Salaries results in a decreased need for Mandatory Fringe Benefits of $2,971, from $77,429 to $74,458.

Other Current Services ($56,350)

This $56,350 request for Other Current Services includes funds for janitorial equipment and supplies. Ms. Satoda reports that the Department is now requesting $69,494, an increase of $13,144. Ms. Satoda states in Attachment II, "The equipment and supplies request increased by

$13,144 after we obtained a better cost estimate of the equipment needed for the custodial and janitorial services." This total revised request of $69,494 includes:

- Custodial equipment for cleaning the floors at an estimated cost of $53,794. According to Ms. Satoda, such equipment has a useful life of 3 to 5 years.
- Custodial products including various cleaning solutions at an estimated cost of $2,150.
- Custodial supplies at an estimated cost of $13,550.

Comments:

1. File 02-1529 amending the Fiscal Year 2002-2003 Annual Salary Ordinance incorrectly includes the creation of eight positions (7.5 FTEs). The FTE count of 7.5 FTEs is based on a hiring date of October 1, 2002 for the ten new positions. However, the Asian Art Museum now anticipates a hiring date of November 1, 2002 for ten new positions, not eight new positions. Based on a hiring date of November 1, 2002, the ten positions would represent 6.7 FTEs in Fiscal Year 2002-2003 and not 7.5 FTEs. The Budget Analyst therefore recommends that the Fiscal Year 2002-2003 Annual Salary Ordinance be amended to reflect the creation of ten positions representing 6.7 FTEs. In addition, File 02-1507 authorizing a supplemental appropriation in the amount of $490,889 for janitorial services at the Asian Art Museum on an in-house Civil Service basis should be amended to reflect the appropriation of funds for 6.7 FTEs instead of 7.5 FTEs.

2. File 02-1529 amending the Fiscal Year 2002-2003 Annual Salary Ordinance incorrectly includes the creation of six 2708 Custodian positions (6.0 FTEs) instead of the correct number of eight such positions (5.36 FTEs). The Budget Analyst therefore recommends that the proposed ordinance be amended to state that the ordinance would create eight 2708 Custodian positions instead of six such positions. In addition, File 02-1507 should be amended to reflect the appropriation of funds for 5.36 FTE 2708 Custodian positions instead of 6.0 FTEs in this position.

3. File 02-1529 amending the Fiscal Year 2002-2003 Annual Salary Ordinance incorrectly includes the creation of one 2716 Custodial Assistant Supervisor (0.75 FTE) and one 2718 Custodial Supervisor (0.75 FTE).

Based on a hiring date of November 1, 2002, these two new positions would represent 0.67 FTE per position in Fiscal Year 2002-2003, not 0.75 FTE per position. The Budget Analyst therefore recommends that the proposed ordinance be amended to reflect the creation of one 2716 Custodial Assistant Supervisor (0.67 FTE) and one 2718 Custodial Supervisor (0.67 FTE). In addition, File 02-1507 should be amended to reflect the appropriation of funds for one 2716 Custodial Assistant Supervisor (0.67 FTE) and one 2718 Custodial Supervisor (0.67 FTE) instead of 0.75 FTE for such positions.

4. The Budget Analyst questions the Asian Art Museum's ability to fill the ten new positions by November 1, 2002 because the proposed ordinances require two readings at the full Board of Supervisors and then requires approval by the Mayor. In addition, the Budget Analyst questions the need for the Asian Art Museum to hire all ten new positions at the highest salary step. Therefore some salary savings should result. In addition, the Budget Analyst notes that no salary savings have been factored into the requested budget to account for normal attrition. Therefore, the Budget Analyst recommends an additional reduction of 10% or $29,860 in Permanent Salaries, from $298,598 to $268,738, and a corresponding reduction of 10% or $7,446 in Mandatory Fringe Benefits, from $74,458 to $67,012. The Budget Analyst further recommends an increase of 10% or $2,982 in Temporary Salaries, from $29,816 to $32,798, to provide funding to the Department for janitorial services to account for any delay in hiring the ten new permanent janitors.

Recommendations:

1. In accordance with Comment Nos. 1, 2 and 3 above:

(a) amend line 3 of the proposed ordinance, File 02-1529, to reflect the creation of ten positions (6.7 FTEs) instead of the creation of eight positions (7.5 FTEs).

(b) Amend line 16 of File 02-1529 and amend line 3, page 3 of File 02-1507 to reflect the creation of eight 2708 Custodian positions (5.36 FTEs) instead of six 2708 Custodian positions (6.0 FTEs).

(c) Amend line 17 of File 02-1529 and amend line 4, page 3 of File 02-1507 to reflect the creation of one 2716 Custodial Assistant Supervisor position (0.67 FTE) instead of one 2716 Custodial Assistant Supervisor position (0.75 FTE).

(d) Amend line 18 of File 02-1529 and amend line 5, page 3 of File 02-1507 to reflect the creation of one 2718 Custodial Supervisor position (0.67 FTE) instead of one 2718 Custodial Supervisor position (0.75 FTE).

(e) Amend line 22, page 2 and line 8 page 3 of File 02-1507 to reflect the creation of 6.7 FTEs instead of 7.5 FTEs.

2. Amend the proposed ordinance, File 02-1507, to reduce the supplemental appropriation from the General Fund Reserve by $37,566, from $243,889 to $206,323, and to reduce this total request of $490,889 by $37,566 to $453,323 as follows:

	Amount Requested	Amount Needed	Recommended Increase (Decrease)
Permanent Salaries[2]	$326,550	$268,738	($57,812)
Temporary Salaries[3]	17,466	32,798	15,332
Premium Pay[4]	3,940	4,422	482
Overtime[5]	9,154	10,859	1,705
Mandatory Fringe Benefits[6]	77,429	67,012	(10,417)
Other Current Services[7]	56,350	69,494	13,144
TOTAL	$490,889	$453,323	($37,566)

3. Approval of the proposed ordinances, Files 02-1507 and 02-1529, to provide for in-house Civil Service janitorial services at the Asian Art Museum is a policy decision for the Board of Supervisors since the Board of Supervisors is also considering to provide such services through an outside contract (Item 7, File 02-1315).

[2] See Permanent Salaries Section and Comment No. 4 above.
[3] See Temporary Salaries Section and Comment No. 4 above.
[4] See Premium Pay Section above.
[5] See Overtime Section above.
[6] See Mandatory Fringe Benefits Section and Comment No. 4 above.
[7] See Other Current Services Section above.

Asian Art Museum of San Francisco
Memorandum

TO: **Anna LaForte, Budget Analyst Office**

FROM: **Ikuko Satoda, Asian Art Museum**

DATE: **October 2, 2002**

Re: **Custodial Services**

This memo is in response to your question regarding the supplemental appropriation for janitorial services for maintaining the City's new building, Asian Art Museum.

Early in the budget process, we were instructed by the Mayor's office that we should budget the Security Guards and the custodial positions at the low end of their salary ranges. This budget estimate for the security guards was valid since there was no existing list of candidates eligible for transfer from other departments. However, there is an existing list of candidates for janitors and custodians eligible for transfer from other departments. The custodial positions would most likely be filled by transfers form other departments with salaries higher than the starting salary rate. The permanent salary and the fringe benefit lines in the Supplemental Appropriation Ordinance appears to be calculated based on the high end of the custodial salary ranges which more accurately reflects the outcome of the hiring process.

All prior premium pay and overtime calculations were done using the low end of the salary ranges. Both premium and overtime were recalculated using the high end of the salary range.

The equipment and supplies request increased by $13,144 after we obtained a better cost estimate of the equipment needed for the custodial and janitorial services. Our Building Superintendent obtained these higher cost estimates from Michael Hanson, the Custodial Services Manger at City Hall.

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Asian Art Museum of San Francisco
Memorandum

TO: Anna LaForte, Budget Analyst Office

FROM: Ikuko Satoda, Asian Art Museum

DATE: September 17, 2002

Re: Custodial Services

This memo is in response to your question regarding the supplemental appropriation for janitorial services for maintaining the City's new building, Asian Art Museum.

Based on the latest construction schedule, we anticipate the issuance of a temporary certificate of occupancy (TCO) by October 17, 2002. With the TCO we will be initiating the process of moving the art objects from our Golden Gate Park facility to the new building. At the same time, the Museum's security staff and engineering staff will take over the building and help secure the City's collection. Preparation for the move, cleanup after the move and maintenance of the building will need to begin by October 17, 2002.

The Museum is asking for funding for temporary personnel as opposed to permanent personnel for the period from October 17, 2002 to November 1, 2002. Based on the known schedule of supplemental appropriation process we are going through at this point, we do not think we have sufficient time to complete the hiring process for all the proposed custodial staff by October 17, 2002.

Prior to the proposed technical adjustment by the Mayor's budget office for funding a janitorial services contract, the custodial staff was budgeted to start on October 1, 2002. That date was changed to November 1, 2002 when the technical adjustment was introduced with an assumption that a contracting firm has the responsibility of planning, hiring, and training their own janitorial staff prior to the commencement of the contract. The new date should have been October 17 and not November 1, 2002. With our own civil service employees, the Museum should start these processes, i.e., hiring & training, even sooner, but definitely no later than October 17, 2002.

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Item 10 - File 02-1310

Note: This item was heard and continued by the Finance Committee at its meeting of September 25, 2002. The Finance Committee specifically directed the Budget Analyst to report on an analysis of program management services which was made by the International Federation of Professional and Technical Engineers (IFPTE), Local 21, AFL-CIO.

1. This hearing is to consider the Public Utilities Commission's (PUC) progress towards implementing its program management services contract for the PUC's $4.6 billion Capital Improvement Program (Contract CS-524). During the second year of this contract, as of June, 2002, the contract was terminated with the former joint venture contractor, the San Francisco Water Alliance, and was awarded to a new joint venture, Water Infrastructure Partners, consisting of Jacobs Civil Inc., and Primus Industries, Inc. to continue providing the contracted Project Management Office (PMO) support services[1] and the contracted project management services[2]. This reassignment was approved by the Board of Supervisors on June 17, 2002 (Board Resolution 98-02).

2. On September 25, 2002, the International Federation of Professional and Technical Engineers (IFPTE), Local 21, AFL-CIO, issued a memorandum to the Finance Committee providing an analysis of the costs of the subject contract's program management services relative to the Capital Improvement Program's construction costs. The IFPTE's key conclusions are summarized below. A summary memorandum by the IFPTE is provided in Attachment 1 to this report.

3. The PUC has reviewed the IFPTE analysis. The PUC's detailed response, which is summarized below, is shown in a memorandum dated September 30, 2002 (Attachment 2).

IFPTE Analysis

1. The IFPTE has concluded that:

- Program management costs should be no more than 3 percent of the total project costs. 50 percent of program management work should be performed

[1] According to Mr. Sunderjeet Bajwa of the PUC, the PMO task comprises (a) program management support and administrative services common to the entire PUC Capital Improvement Program, including procedures development and document management support, (b) PUC staff training and organizational development, and (c) communication and outreach.

[2] According to Mr. Bajwa, "project management services" are the capital improvement project tasks which the Contractor performs once it has received specific task orders from the PUC. These include Optioneering (i.e., identifying engineering options to decrease construction costs and improve efficiency), conceptual engineering, value engineering, the provision of workload relief during peak times, and the provision of as-needed expert advice.

by PUC and Department of Public Works (DPW) staff, with the remaining 50 percent to be performed by Contractor staff.

- Construction management costs should be no more than 6 percent of the construction costs. 50 percent of program management and construction management work should be performed by PUC and DPW staff, with the remaining 50 percent to be performed by Contractor staff who should focus on the most complex, difficult, or extended construction projects such as tunnels, dams, and treatment plants.
- All project management work, which should be no more than 5 percent of total project costs, and all repair and replacement work should be performed by PUC or DPW staff.
- The subject contract with Water Infrastructure Partners should be extended by three years and three months, so that instead of terminating on the current expiration date of September 21, 2004, the contract would terminate on December 31, 2007. Such an extension would permit the Contractor to provide program management services for the first four years of the fully funded Capital Improvement Program.
- Since the clean water system is not included in the Proposition A water revenue bonds, no construction management will be required on clean water system capital improvement projects.

2. According to the IFPTE analysis, the estimated total program and construction management costs of the Contractor should be between $19,600,000 and $21,589,770 for the four year period CY 2003 through CY 2007, which is less than one half the potential maximum cost of the Water Infrastructure Partners contract of $45,000,000 over its full, four-year term. The IFPTE therefore states that the Water Infrastructure Partners maximum contract amount of $45,000,000 should be reduced to an estimated amount of between $19,600,000 and $21,589,770 for the four year period CY 2003 through CY 2007.

3. The IFPTE recommends the following, among several "suggested actions":

- Reduce the total Water Infrastructure Program Contract to cover no more than 50% of the Construction Management and Project Management costs, as calculated according to industry standards. That would result in a $19,600,000 to $21,589,770 maximum contract amount instead of a $45,000,000 maximum contract amount over four years as is presently the case.
- Eliminate any other components of the Water Infrastructure Partnership (WIP) Contract.
- Require any additional, “As-Needed” contractual work to be subject to competitive bidding, with WIP partners ineligible to participate due to potential conflict of interest.

PUC Response

Mr. Surinderjeet Bajwa of the PUC, has responded to the IFPTE analysis, as shown in Attachment 2. In summary, the PUC has reported that:

- The calculation of program management service costs should be based on total installed costs (construction costs plus all soft costs, including program management services), rather than just on the PUC's projected yearly cash flow which the PUC maintains was used by the IFPTE in its analysis.
- The construction costs shown in the IFPTE's analysis include five projects that are not scheduled to begin until after 2007. At that time, the construction management portion of those projects can either be kept in-house, contracted out, or partially kept in-house and partially contracted out.
- Construction management costs are typically greater for large construction projects than the 6 percent estimate used by the IFPTE.
- The current PUC scope of work has additional work scope compared to a normal program management scope of work.
- The current contract has two parts: the Project Management Office (PMO) and Project Management and Construction (PMC). The PMC part of the contract includes construction, technical specialist assistance and needed project management support which was not considered by the IFPTE analysis in their calculations of the amount required for program management and construction management.
- The Capital Improvement Program (CIP) staffing plan includes participation from the other City entities such as DPW and the Airport.

As compared to the IFPTE cost estimates of $19,600,000 to $21,589,770 maximum contract amount, the PUC estimates that the Water Infrastructure Partners contract for program management services should cost approximately $48,000,000, which is $3,000,000 or 6.7 percent higher than the subject contract's current capped cost of $45,000,000 over the four-year period of CY 2003 through CY 2007.

Comments of the Budget Analyst

1. The Budget Analyst's review of this matter found that the PUC and IFPTE do not differ significantly in terms of the amount of expenditures required for program management and construction management in consideration of the $4.6 billion size and complexity of the PUC's Capital Improvement Program. As noted above, the IFPTE analysis estimates total program management and construction management maximum costs for the Contractor of between $19,600,000 and $21,589,770 for the four year period CY 2003 through CY 2007. As shown in Attachment 2, the PUC estimates that such maximum costs should be

approximately $24,500,000 for just program management and construction management services of $48,000,000 for all services provided.

2. The PUC reports that additional program management services, including project management, construction and technical specialist support, and additional services, such as organizational development, training and staff development, procedures development and development of a diversity program are required under the Water Infrastructure Partners contract. The IFPTE reports that none of these services should be part of the WIP contract and that the WIP contract should be limited to program management services and construction management services.

3. The Budget Analyst has discussed the magnitude of "soft costs" (including program management and construction management) for capital improvement projects with management staff of the Department of Public Works, the City Architect, the Airport and the Capital Improvement Advisory Committee (CIAC) and found that the assumptions used by both IFPTE and the PUC in estimating such costs are reasonable and within industry standards.

4. The Budget Analyst concludes that the major disagreement between the PUC and the IFPTE is the extent to which the WIP contract should cover work other than program management and construction management. The contract work now includes: (a) project management, (b) construction and technical specialist support, and (c) additional services such as organizational development, training and staff development, procedures development and development of a diversity program, is required under the Water Infrastructure Partners contract. The IFPTE maintains that such additional work as project management, construction and technical specialist support and additional services such as organizational development, training and staff development, procedures development and development of a diversity program should be eliminated from the WIP contract and that the contract should be reduced to cover only program management and construction management in support of the PUC's Capital Improvement Program.

5. The Budget Analyst notes that, in November of 2001, the Board of Supervisors directed the PUC to form a Joint Union-City Committee to involve the IFPTE in matters concerning the scope of work of the contractor. According to the IFPTE's September 30, 2002 memorandum to the Finance Committee, the PUC has not met this commitment. The IFPTE states, with regard to the Joint Union-City Committee (JUCC):

> *The SFPUC has shown flagrant disregard for its commitments under the Agreement signed by the General Manager and Local 21 in November of 2001, in which the scope of work for the Joint Union-City Committee ("JUCC") was described. Acting unilaterally, the SFPUC has repeatedly cancelled meetings, refused to address the scope of work outlined in the Agreement, attempted to control the agenda of the*

> *JUCC, and has shown little interest in using the JUCC as a forum for planning and implementation of the CIP.*

6. When asked to comment on the IFPTE's conclusion concerning the JUCC, Mr. Bajwa provided the Budget Analyst with the following statement:

> *The Joint Union City Committee was formed last year. The JUCC membership includes SFPUC management, Local 21 Leadership and staff/Local 21 personnel.*
> *The Committee originally met approximately every 2 months. Subcommittees were formed based on the results of a joint brainstorming session held at Local 21 addressing the question "what are the impediments to implement the CIP". The top issues identified were:*
> - *Program Controls*
> - *Hiring*
> - *Relations with Operations*
> - *Logistics*
> - *Process*
>
> *Subcommittees met very frequently to resolve SFPUC/UEB issues. Some have completed their task; others are still meeting.*
> *Currently, the JUCC meets the first Tuesday of every month. In November, the meetings will be the second Tuesday due to a conflict with the election. To the best of my knowledge, SFPUC has not cancelled any meeting to date.*

7. Based on our review of this matter, the Budget Analyst concludes that there is little or no effective communication between the IFPTE and the PUC. Such communication was clearly the intent of the Board of Supervisors when it directed the PUC to form the Joint Union-City Committee. The Finance Committee may therefore wish to strengthen its directive and instruct the IFPTE and the PUC to specifically address, through the JUCC mechanism, the issue of whether or not the WIP contract should include the following:

- project management;
- construction and technical specialist support; and,
- additional services such as organizational development, training and staff development, procedures development and development of a diversity program.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

SUMMARY

- The WIP contract is designated as being for program management and construction management. However, CIP budgets do not reflect industry standards for percentage of costs attributed to program management and construction management, but instead dedicate much higher percentages of overall budget amounts to these items for the WIP contract period. Further, the contract does not factor in the construction management capacity and capabilities of the Bureau of Construction Management of the City's Department of Public Works ("DPWBCM"). Any work performed by DPWBCM, while outsourced from the SFPUC, will stay within the City and will reduce the amount of the WIP contract.
- City staff can perform construction management for most CIP project components. Consultants will only need to be retained for complex, difficult or extended project components of the CIP, such as tunnels, dams, and treatment plants. Similarly, at least half of all Project Management can and should be performed by City staff. At $45,000,000, the WIP contract is for more than twice the approximately $20,000,000 required if the WIP performs half of all CIP program management and construction management, calculated at industry standard percentages.
- The scope of the WIP contract is overbroad, including work that can and should be performed by City employees. It lacks clear parameters and includes hands-on engineering and design work, which is counter to the stated need for Management services (These additional services go directly to the SFPUC's position that they will be unable to hire staff through the City process). Most distressingly, the contract assumes "integration" of PUC and WIP personnel, a recommendation of R.W. Beck that would result in the City's increased dependency on consultants.
- The WIP contract assumes all four originally planned CIP components (Regional Water, Local Water, Clean Water and Hetch Hetchy Power) will be executed under the CIP. However, Clean Water is not included in the bond, and the project scope and staffing needs are not yet finalized. Until the project scope has been revised, it is impossible to determine the proper contract scope.
- The WIP has, to date, received only provisional certification from HRC with regards to meeting the requirements of San Francisco's Domestic Partner Ordinance.
- The SFPUC has argued that its need for outside consultants is based, in large part, on its inability to hire, in a timely fashion, the staff needed to undertake the CIP. However, the SFPUC has been unable to produce a staffing plan. Andrea Gourdine, Director of Human Resources, has stated that she began asking for a staffing plan in 2001, but has not received one to date. Departments with engineering resources to lend, including DPW, have made similar statements.
- SFPUC Contract oversight is inadequate. Currently, task orders issued under a general contract require no analysis of whether the Utilities Engineering Bureau ("UEB") has the staff capability and/or capacity to perform the work, and work can be sole-sourced out without being subject to competitive bid.

Source: International Federation of Professional and Technical Engineers (IFPTE), Local 21, AFL-CIO

SFPUC
WATER
HETCH HETCHY WATER & POWER
CLEAN WATER

San Francisco Public Utilities Commission
1155 MARKET ST., 4TH FLOOR, SAN FRANCISCO, CA 94103
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SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

MEMORANDUM

DATE: SEPTEMBER 30, 2002

TO: ALAN GIBSON, BOARD OF SUPERVISORS BUDGET ANALYST

FROM: JEET BAJWA, CIP GROUP, SFPUC

SUBJECT: WATER INFRASTRUCTURE PARTNERS CONTRACT

IFPTE, Local 21 performed analysis of Program Management Costs. The assumptions used for project soft costs, are theoretically within industry standards for percentages of overall project dollars allocated to different aspects of a project. IFPTE, Local 21 has developed two approaches for calculations (one by calculating soft costs for each project, and the other by projected CIP Capital Expenditure by year.) The projected cost data appears to be from the Long Range Strategic Plan for Capital Improvements issued by the SFPUC on January 24, 2002. According to the first approach, the four-year estimated cost for a program/Construction Management contract is $39.36 million and according to the second approach the program management cost is $10 million.

In our opinion, the amount of services covered under the current Program Management contract includes services in addition to those provided under a conventional program management contract. Furthermore, the calculation method used by IFPTE, Local 21 is based on the yearly projected CIP cost data from the above-mentioned CIP report, instead of using "total installed costs"(TIC)[1] as input. "Total installed costs" takes into account the fact that when the projects are in planning and design phases during the earlier years, a higher portion of the CIP soft cost is absorbed.

The following table shows the soft cost breakdown based on an assumption that the total, average soft cost for a project is 30% of the TIC (similar bases as of IFPTE's analysis but converted to the soft cost basis):

ACTIVITY	% Based on TIC	Converted to Percentage of Soft Cost
Program Management	3.0	10.0
Project Management	5.0	16.7

[1] Total Installed Costs (TIC) is defined as hard costs or construction costs plus soft costs including program management costs.

Construction Management	6.0	20.0
Design	16.0	53.3
Total	30.0	100.0

PROGRAM MANAGEMENT COST ANALYSIS

In this analysis, total installed costs per project are applied to IFPTE, Local 21's second approach in order to determine the yearly cost for the program management contract. The Table below shows the Program Management Needs, projected CIP cost as shown in IFPTE, Local 21 analysis and also the projected soft costs per year calculated from the CIP plan (as listed above, in the initial years the project CIP cost will consist of a significant soft cost shown below.)

As shown in the above table, the Program Management cost is 10% of the soft cost or 3% of total installed project costs.

PROGRAM MANAGEMENT NEEDS						
Year	Projected CIP Cost	Projected Soft Cost	Program Management @ 10% of Soft Cost	Program Management Cost	CIP Cost	WIP Cost
2004	$50,000,000	$46,100,000	10%	$4,610,000	$2,305,000	$2,305,000
2005	$100,000,000	$77,600,000	10%	$7,760,000	$3,880,000	$3,880,000
2006	$150,000,000	$80,260,000	10%	$8,026,000	$4,013,000	$4,013,000
2007	$300,000,000	$159,840,000	10%	$15,984,000	$7,992,000	$7,992,000
Total	**$600,000,000**	**$363,800,000**	**10%**	**$36,380,000**	**$18,190,000**	**$18,190,000**

This table shows a total program management cost of $36,400,000. Assuming a contractor involvement of 50%, the amount contracted out is $18,200,000.

The composition of the SFPUC Program Management Contract includes two parts: PMO (Program Management Office) and PMC (Project Management, Construction and Technical Specialist Support.) On the one hand, PMO is the generic program management oversight plus additional services such as organizational development, training, procedures development and diversity. On the other hand, PMC involves project specific work tasks including:

- Optioneering (Alternative Analysis)
- Conceptual engineering
- Value engineering
- Relief of workload during peak times

- Availability of experts as the need arises

Currently, the PMO is less than 50% of the awarded contract value per year. In the current contract the approximate value of the PMO is less than $22 million over 4-year period beginning in 2001. The remaining contract funding is planned as a PMC cost.

In general, the PMO usually includes program management, project controls support, and document management support. In the SFPUC Program Management Contract for Water Infrastructure Partners, the following additional services are also included:

- Training and staff development
- Client organization development and implementation
- Procedures development
- Diversity program

Based on Years 1 and 2 scope of work, the contribution of the above-listed activities amounts to a 30% additional cost to the PMO.

Based on the above calculations the PMO cost is calculated as following:

PMO Contract Value for the contractor	= $18.0 million
Cost of other services, roughly 30% of the PMO	= $6.0 million
Total PMO Cost	= $24.0 million
Assuming an equal amount for the PMC work	= $24.0 Million

(A conservative approach has been applied)

That results in a total of $48 million for four years, an amount above the current program management contract of $45 million.

CONSTRUCTION MANAGEMENT ANALYSIS

The construction management cost is developed upon a similar basis, assuming that 70% of the Total Installed Costs are standard for hard costs. Using IFPTE, Local 21's approach, 6% of that belongs to construction management. 50% of the 6% is allotted to SFPUC while the rest is contracted to a Construction Management Contractor.

Construction Management Needs					
Project	Total Installed Costs (TIC)2004-2007	70% of TIC as Hard Costs	Const. Mgt. at 6% of Hard Costs	CIP portion of Const. Mgt.	WIP Services Needed
Pipeline Repair Plan & Readiness Imp	$3,369,860	$2,358,902	$202,192	$101,096	$101,096
SVWTP - New Treated Water Reservoir	$46,978,215	$32,884,751	$2,818,693	$1,409,346	$1,409,346
HTWTP SHORT TERM IMP	$81,974,044	$57,381,831	$4,918,443	$2,459,221	$2,459,221
Alameda Creek Fishery Enhancement	$6,730,672	$4,711,470	$403,840	$201,920	$201,920
San Antonio Pump Station / Emergency Power	$3,685,640	$2,579,948	$221,138	$110,569	$110,569
Adit Leak Repairs(Crystal Springs / Calaveras Res)	$2,194,818	$1,536,373	$131,689	$65,845	$65,845
Potrero Heights Reservoir Rehab.	$9,584,252	$6,708,976	$575,055	$287,528	$287,528
Summit Reservoir Rehab.	$16,189,863	$11,332,904	$971,392	$485,696	$485,696
Le Grande Tank Rehab. And Seismic Upgrade	$2,070,401	$1,449,281	$124,224	$62,112	$62,112
Potrero Heights Tank Seismic Upgrade	$2,048,890	$1,434,223	$122,933	$61,467	$61,467
Lincoln Park Tank Seismic Upgrade	$1,698,144	$1,188,701	$101,889	$50,944	$50,944
Lincoln Way Transmission Line	$11,175,136	$7,822,595	$670,508	$335,254	$335,254
Lincoln Park pump Station Upgrades	$1,942,169	$1,359,518	$116,530	$58,265	$58,265
Summit Pump Station Upgrades	$4,914,444	$3,440,111	$294,867	$147,433	$147,433
Crocker Amazon Pump Station Upgrades	$2,829,123	$1,980,386	$169,747	$84,874	$84,874
Groundwater Projects	$13,705,753	$9,594,027	$822,345	$411,173	$411,173
Total:	$211,091,424	$147,763,997	$12,665,485	$6,332,7430	$6,332,7430
					$6,300,000

This table is developed based on the construction costs for the year 2004 thru 2007. The mega projects (projects over $100 million) are excluded since they are scheduled for construction after 2007. A 50% mix of the SFPUC staff and Construction Management contractor is assumed in order to achieve integration of SFPUC and WIP staff. It also allows time for SFPUC staff to acquire the necessary construction industry knowledge and tools. Finally, it provides resource leveling (relief during peak work loads) for City staff. This analysis is developed based on the construction costs of the projects, which are planned to be completed in the next five years and they are all in Year 2003 dollars.

However, the construction costs shown in IFPTE, Local 21's analysis includes only five projects that are not projected to begin until after 2007. At that time, the construction management portion of those projects can either be kept in house, contracted out, or a combination of both.

SUMMARY

The following tables provide comparison between IFPTE and SFPUC's analysis:

Table 1: IFPTE Approach #1 (Based on Projected CIP Cost for 4 Years)

	IFPTE Estimate $ Millions	SFPUC Estimate $ Millions
PMO Cost	10.0*	18.2
Construction Cost	9.6**	6.3**

* Not based on TIC

** Comparison is uneven. IFPTE calculation includes the major projects whereas the SFPUC calculates the generic construction management cost for the first 4 years.

Table 2: IFPTE Approach #2 (Based on Actual CIP Project Costs for 4 Years)

	IFPTE Estimate $ Millions	SFPUC Estimate $ Millions
PMO Contract Value	39.4	48.0*

* SFPUC analysis includes additional services as identified in this analysis.

Generally, a 3% cost for the Program Management is good for projects involving building projects or relatively simple programs. The private industry usually has a higher number (5%+) for power and industrial programs. The public sector utility programs are even higher and the reason is that it involves the complex government work processes, procedures, public responsiveness, communications and outreach.

We checked with the construction contractor in San Diego, one of the reference points in IFPTE, Local 21's report. Based on the available information the construction management cost is 9.6% instead of 6% (Total program completed to-date is $1.26 billion and the construction management cost is $120 million.)

It is also noted that the SFPUC is working with other City entities such as DPW and SFO to identify their staff support in the implementation of the CIP.

Conclusion:

- The PMO and PMC cost of $48 million is very comparable to the current program management contract of $45 million. PMC is very essential need as there are projects, which will require significant technical expert support.
- Program Management and Construction Management costs are typically greater than the estimate used by the IFPTE for the public sector utility programs.
- The current SFPUC scope of work has additional work scope greater than a normal program management work.

- The PMC part of the contract includes construction, technical specialist assistance and needed project management support (not considered by the IFPTE analysis).
- CIP staffing plan includes participation from the other City entities such as DPW and SFO

City and County of San Francisco
Meeting Minutes
Finance Committee

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

Wednesday, October 16, 2002 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Sophie Maxwell.

MEETING CONVENED

The meeting convened at 12:45 p.m.

021704 **[Controller's Report on the City's Annual Budget Process]**

Supervisor Peskin

Hearing to review the Controller's report on the City's annual budget process, and its findings regarding potential improvements to the budget process.

10/7/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the October 16, 2002 meeting.

Heard in Committee. Speakers: Supervisor McGoldrick; Edward Harrington, Controller; Phil Ginsberg, Deputy City Attorney; Adam Van de Water, Office of the Legislative Analyst, Board of Supervisors; Margaret Brodkin, Coleman Advocates; Harvey Rose, Budget Analyst; Ken Bruce, Budget Analyst's Office; Debra Newman, Budget Analyst's Office; Ben Rosenfield, Mayor's Budget Office; Gloria Young, Clerk of the Board. Continued to 11/13/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021502 **[Requiring the Mayor to submit budget estimates, proposed budgets and revenue estimates for selected departments by the first working day of May]**

Supervisor McGoldrick

Ordinance amending Administrative Code Section 3.3 to require agencies, boards and commissions to submit budget estimates to the Controller by the 21st of January; require the Controller to consolidate and submit budget estimates to the Mayor by the first working day in February; require the Mayor to submit a preliminary budget to the Board of Supervisors by the first working day of March, and a proposed budget to the Board of Supervisors by the first working day of May; amending Administrative Code Section 3.4 to reflect the new deadline for submission of the Mayor's proposed budget to the Board of Supervisors.

8/26/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 9/25/2002.

9/26/02, TRANSFERRED to Rules and Audits Committee.

10/1/02, CONTINUED TO CALL OF THE CHAIR.

10/9/02, TRANSFERRED to Finance Committee.

Heard in Committee. Speakers: Supervisor McGoldrick; Edward Harrington, Controller; Phil Ginsberg, Deputy City Attorney; Adam Van de Water, Office of the Legislative Analyst, Board of Supervisors; Margaret Brodkin, Coleman Advocates; Harvey Rose, Budget Analyst; Ken Bruce, Budget Analyst's Office; Debra Newman, Budget Analyst's Office; Ben Rosenfield, Mayor's Budget Office; Gloria Young, Clerk of the Board.
Continued to 11/13/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020994 **[Approve expenditure of funds for emergency contract CW-336E]**

Supervisor Gonzalez

Resolution approving the expenditure of funds for emergency contract CW-336E in the amount of $441,000 to replace variable frequency drives for main lift pumps at the Southeast Water Pollution Control Plant. (Public Utilities Commission)

(Fiscal impact; No Public Benefit Recipient.)

9/25/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jon Loiacono, Manager, Environmental Engineering for Water Pollution Control, Public Utilities Commission; Theodore Lakey, Deputy City Attorney; Edward Harrington, Controller.
Continued to 11/6/02.

CONTINUED by the following vote:

Ayes: 2 - Peskin, Maxwell
Absent: 1 - Daly

021647 **[Federal grant funds of $9,375,000 for building the South Basin Bridge in San Francisco]**
Supervisor Maxwell
Resolution authorizing the Director of Public Works to accept and expend $9,375,000 in federal Transportation Equity Act for the 21st Century (TEA21) Demonstration Funds with required local matching funds of $2,344,000 to undertake environmental studies related to the feasibility of building the South Basin Bridge in the City and County of San Francisco.

(Fiscal impact; No Public Benefit Recipient.)
9/30/02, RECEIVED AND ASSIGNED to Public Works and Public Protection Committee.
10/4/02, TRANSFERRED to Finance Committee.

Heard in Committee. Speakers: Stanley Muraoka, Project Manager, Redevelopment Agency; Don Capobres, Senior Project Manager, Redevelopment Agency; Tina Olson, Department of Public Works; Harvey Rose, Budget Analyst,
Continued to 11/6/02.

CONTINUED by the following vote:
Ayes: 2 - Peskin, Daly
Absent: 1 - Maxwell

021437 **[City Service of Municipal Energy Load]**
Supervisor Maxwell
Hearing on the PG&E challenges to the City's ability to serve as "municipal load" tenants on City property.
8/12/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speaker: Theresa Mueller, Deputy City Attorney.

FILED by the following vote:
Ayes: 2 - Peskin, Daly
Absent: 1 - Maxwell

021236 **[Amending Section 110 of the San Francisco Building Code To Increase Fees For Services]**
Ordinance Amending Section 110 of The San Francisco Building Code To Increase Fees For Department of Building Inspection Services. (Building Inspection Department)
7/17/02, RECEIVED AND ASSIGNED to Public Works and Public Protection Committee. (9/13/02 - Referred to Small Business Commission for comment and recommendation.)
8/14/02, TRANSFERRED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Amy Lee, Assistant Director, Department of Building Inspection; Monique Zmuda, Controller's Office; Frank Chiu, Director, Department of Building Inspection.
Amendment of the Whole adopted. Amended on page 17 by deleting line 21.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 2 - Peskin, Daly
Absent: 1 - Maxwell

021580 **[Accept and expend a gift of $29,259 from the Friends and Foundation of the San Francisco Public Library]**

Resolution authorizing the San Francisco Public Library to accept and expend a gift in the amount of $44,342 from the Friends and Foundation of the San Francisco Public Library to support public programming and outreach at Branch Libraries and to continue production of a monthly newsletter to promote programs, services and special events offered by the Public Library. (Public Library)

(No Public Benefit Recipient.)

9/24/02, RECEIVED AND ASSIGNED to Neighborhood Services and Recreation Committee.

10/4/02, TRANSFERRED to Finance Committee.

Heard in Committee. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Susan Hildreth, City Librarian.
Amended as follows:
On page 1, lines 1 and 5, and on page 2, line 10, by replacing "$44,342" with "$29,259;"
On page 1, line 21, by replacing "$22,189" with "$14,643;"
On page 2, line 2, by replacing "$22,153" with "$14,616;"
On page 2, line 11, by replacing "limited term" with "temporary, as needed."

AMENDED.

Resolution authorizing the San Francisco Public Library to accept and expend a gift in the amount of $29,259 from the Friends and Foundation of the San Francisco Public Library to support public programming and outreach at Branch Libraries and to continue production of a monthly newsletter to promote programs, services and special events offered by the Public Library. (Public Library)

(No Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Maxwell

021339 **[Financial Information Privacy]**

Supervisors Peskin, Daly

Ordinance amending the San Francisco Business and Tax Regulations Code to enact a new Article 20 to provide for the protection of private financial information.

7/29/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 8/28/2002.

Heard in Committee. Speaker: Dorji Roberts, Deputy City Attorney.
Supervisor Daly added as co-sponsor.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Maxwell

021667 **[Fiscal Year 2002-03 California Constitution Appropriations Limit]**
Resolution establishing the appropriations limit for Fiscal Year 2002-03 pursuant to California Constitution Article XIII B. (Controller)

(No Public Benefit Recipient.)
10/2/02, RECEIVED AND ASSIGNED to Finance Committee.

Speakers: None.
Continued to 11/6/02.
CONTINUED by the following vote:
Ayes: 2 - Peskin, Daly
Absent: 1 - Maxwell

021668 **[Agreement of Purchase and Sale of Real Property Located at 190 9th Street, San Francisco]**
Resolution authorizing the execution, delivery and performance of an Agreement of Purchase and Sale for Real Estate (along with all exhibits and schedules, the "Purchase Agreement"), between the City and County of San Francisco (the "City"), and Ninth and Howard LLC, a California limited liability company (the "Seller"), (including certain indemnities contained therein), for the purchase of real property and improvements located at 190 9th Street, San Francisco, for use as the Support Services Center of the San Francisco Public Library; adopting findings under the California Environmental Quality Act; and adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1. (Real Estate Department)

(Public Benefit Recipient.)
10/2/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Susan Hildreth, City Librarian; Marc McDonald, Director of Property, Real Estate Division, Department of Administrative Services; Charlie Dunn, Real Estate Division, Department of Administrative Services.
Amended on page 1, line 13, by adding "placing $250,000 on reserve." Further amended on page 4, line 22, by adding the following:
"FURTHER RESOLVED, That the cost of facility improvements to the subject Property may not exceed $250,000, unless separate approval is obtained from the Board of Supervisors; and, be it
"FURTHER RESOLVED, That funds in the amount of $250,000 for telecommunications work are hereby placed on reserve, pending submission from the Department of Telecommunications and Information Services of budget details, to be released by the Finance; and, be it."
AMENDED.

Resolution authorizing the execution, delivery and performance of an Agreement of Purchase and Sale for Real Estate (along with all exhibits and schedules, the "Purchase Agreement"), between the City and County of San Francisco (the "City"), and Ninth and Howard LLC, a California limited liability company (the "Seller"), (including certain indemnities contained therein), for the purchase of real property and improvements located at 190 9th Street, San Francisco, for use as the Support Services Center of the San Francisco Public Library; adopting findings under the California Environmental Quality Act; and adopting findings that the conveyance is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; placing $250,000 on reserve. (Real Estate Department)

(Fiscal impact; Public Benefit Recipient.)
REFERRED WITHOUT RECOMMENDATION by the following vote:
Ayes: 2 - Peskin, Daly
Absent: 1 - Maxwell

ADJOURNMENT

The meeting adjourned at 5:05 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

October 10, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: October 16, 2002 Finance Committee Meeting

Item 2 - File 02-1502

Note: This item was continued to the Call of the Chair at the October 1, 2002 Rules and Audits Committee Meeting and was then transferred to the Finance Committee.

Departments: Mayor's Office
Board of Supervisors
Controller's Office

Item: Ordinance amending Administrative Code Section 3.3 to require agencies, boards and commissions to submit budget estimates to the Controller by the 21st of January; require the Controller to consolidate and submit budget estimates to the Mayor by the first working day in February; require the Mayor to submit a preliminary budget to the Board of Supervisors by the first working day of March, and a proposed budget to the Board of Supervisors by the first working day of May; amending Administrative Code Section 3.4 to reflect the new deadline for submission of the Mayor's proposed budget to the Board of Supervisors.

Description:

The proposed ordinance would amend the City's Administrative Code to move up the various deadlines for submission of the annual budget by one month.

Specifically, each City and County department, agency, board or commission is currently required to submit their annual budget estimates to the Controller's Office by February 21st of each year. Under the proposed ordinance, these annual budget estimates would be due from the departments to the Controller's Office by January 21st.

Currently, the Controller is then responsible for consolidating the annual budget estimates and transmitting this information to the Mayor by the first working day of March. Under the proposed ordinance, such budget estimates would need to be consolidated and transmitted to the Mayor by the first working day of February.

In FY 2001-02, the Mayor was responsible for transmitting a preliminary budget for FY 2002-03 to the Board of Supervisors by the first working day in April of 2002. Under the proposed ordinance, the Mayor would be responsible for transmitting a preliminary budget for the upcoming fiscal year by the first working day in March of each year.

Currently, the Mayor is responsible for transmitting the proposed annual budget, including detailed estimates of revenues and amounts required to meet bond interest and fixed charges, together with the Mayor's budget message and a draft annual appropriation ordinance, prepared by the Controller by the first working day of June of each year. Under the proposed ordinance, the Mayor would be responsible for transmitting these budget documents by the first working day of May of each year.

The proposed ordinance would also delete the current references to the existing timetable for budget submissions, which sunset on December 31, 2002.

The Board of Supervisors would continue to be required to adopt the interim appropriation and salary ordinances by June 30th, and to adopt the budget by the last working day of July of each year.

Comments:

1. This past year, the Mayor was responsible for transmitting a preliminary budget for FY 2002-03 to the Board of Supervisors by the first working day of April. In previous years, the Mayor's Office did not submit a preliminary budget to the Board of Supervisors. The Budget Committee of the Board of Supervisors then held 11 public hearings during April and May to consider the preliminary budget, and conducted 12 Town Hall meetings in the Supervisors Districts prior to the submittal of the Mayor's proposed budget on June 1st. As noted above, under the proposed ordinance, a preliminary budget for the upcoming year would need to be transmitted by the Mayor to the Board of Supervisors by the first working day of March, or one month earlier than this past year. The final budget would then need to be transmitted by the first working day of May, instead of the first working day of June, as has been previously required.

2. The Sponsor's Office of the proposed legislation advises that it is essential that the Board of Supervisors start their review of the Mayor's balanced budget earlier so that the public, the Board of Supervisors and the Board's supporting departments, including the Budget Analyst's Office and the Legislative Analyst's Office, have more time to review the budget and provide policy analyses.

3. The preliminary budget estimates for FY 2003-2004, as reported on August 13, 2002 by the Mayor's Budget Director, the Controller and the Budget Analyst, projected a budget shortfall of $149 million. Therefore, Ms. Katie Petrucione of the Mayor's Office advises that one of the primary concerns of the Mayor's Office is it would be difficult, especially in tight financial years as the

FY 2003-04 budget is anticipated to be, for the Mayor's Office to reduce the amount of time available to balance the City's annual budget because there would be (1) less time for actual expenditure and revenue data on which to base projections, (2) less reliable revenue estimates may result in more conservative projections, and greater expenditure reductions and/or fee increases than might be necessary, (3) greater likelihood of technical adjustments and other changes to the City's final budget, and (4) Memorandum of Understandings for employee compensation would not yet have been negotiated.

4. The Budget Analyst advises that the proposed ordinance to move up various dates of the annual budget transmittals should not, in and of itself, result in additional costs for the City.

5. On October 1, 2002, the Legislative Analyst's Office issued a report which researched the potential advantages and disadvantages of a biennial (two-year) budget cycle for San Francisco. This report included a survey of other jurisdictions that use biennial budgeting, legislative and implementation concerns and recommendations for the Board of Supervisors. The Legislative Analyst's Office concluded that enacting a biennial budget cycle in San Francisco is a policy matter for the Board of Supervisors.

6. On October 10, 2002, the Controller's Office issued findings and recommendations regarding potential changes to the City's budget process. The Attachment to this report identifies the eight recommendations contained in the Controller's report. The Controller's report includes (1) a recommendation to convert from an annual budget process to a two-year budget cycle with annual appropriations and (2) a recommendation to change the date that the Mayor is required to transmit the budget to the Board of Supervisors to May 15, instead of June 1, as is the current practice, or May 1, as is proposed in the subject ordinance. The Controller's Office does not recommend changing

any of the other dates of the current budget cycle, as is being proposed under this subject ordinance. Item 1, File 02-1704 of the Finance Committee's October 16, 2002 calendar is a hearing to review the entire Controller's report on the City's annual budget process and its findings and recommendations regarding potential improvements to the budget process.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Recommendations to Improve the Board's Budget Process

Based on these findings, the Controller recommends the following changes:

- The Board of Supervisors should expand its role in the budget process to include the development of policy priorities to guide the budget development;

- Adjust the Board of Supervisors' staffing either by increasing staff, or by reallocating staff and contract personnel and re-assigning workload to shift their work to policy analyses;

- Convert from an annual budget process to a two-year budget with an annual appropriation. The first year of a two-year budget should include policy hearings and full budget deliberations. The second year budget discussion should be limited to the changes proposed by the Mayor's Office to bring revenues in line with expenditures and the Board should hold hearings to evaluate departments' program performance.

- Coordinate with the Mayor and Controller's staff to provide budget information at a level that allows the public to understand and participate in policy decisions;

- Expand the use of the internet, and expand surveying and polling, data mining, and the use of the media in order to disseminate budget information;

- Increase the time that the Board considers the budget by revising the schedule to require the Mayor to transmit the budget to the Board of Supervisors on May 15;

- Redefine the budget amendment process to focus on service delivery rather than on increases to individual programs and agencies;

- Revise the budget amendment process to ensure that technical adjustments and add-backs are subject to the same review and approval as the rest of the budget.

Next Steps

Once the Board of Supervisors decides on a preferred budget process, the Board should draft legislation to incorporate the changes to its rules and to the Administrative Code. The Board should establish a committee structure and appropriate timelines for budget hearings and budget deliberations. Finally, the Board should revise its staffing and contract personnel, as well as the workload and focus to reflect the changes made to the budget process.

Item 3 - File 02-0994

Department: Public Utilities Commission (PUC)

Item: Resolution approving the expenditure of funds for emergency contract CW-336E in the amount of $441,000 to replace variable frequency drives for main lift pumps at the Southeast Water Pollution Control Plant.

Amount: $441,000

Source of Funds: PUC Repair and Replacement Fund.

Description: The proposed resolution would approve the PUC's expenditure of $441,000 for an emergency contract to replace the variable frequency drives for the main lift pumps at the Southeast Water Pollution Control Plant. The PUC ratified the declaration of the emergency on August 13, 2002 (PUC Resolution No. 02-0151). According to the PUC, the emergency declaration was required because the existing variable frequency drives for the four main lift pumps at the Southeast Water Pollution Control Plant had repeatedly failed. According to Mr. Jignesh Desai of the PUC, the four main lift pumps are the primary means of transporting sewage from the Bayview Hunters Point area into the plant for treatment. Mr. Desai advises that if the variable frequency drives are not replaced the failure of the drives will damage the main lift pumps. The PUC reports that the situation posed a potentially significant liability issue for the City if the sewer backed up. In accordance with Chapter 6, Article IV, Section 6.60 of the San Francisco Administrative Code the PUC is required to obtain Board of Supervisor approval for all emergency contracts that exceed $250,000.

Mr. Desai reports that the General Manager of the PUC transmitted a letter to the President of the PUC recommending a declaration of an emergency on April 25, 2002. The PUC conducted an expedited bid procedure as provided for in Section 6.60 of the Administrative Code, which does not require the PUC to advertise Invitations for Bids in a newspaper as is required under formal competitive bidding procedures. On May 1, 2002,

Invitations for Bids were faxed to five contractors: (a) Bay Area Systems and Solutions, Inc., (b) Bleco Builders Inc., (c) Mayer Electric Co., Inc., (d) Millard Tong Construction Co., and (e) Sierra Electric Company. Attachment I, provided by the PUC, contains a summary of the three contractor bids received by the PUC. The PUC awarded the emergency contract for the amount of $441,000 to Sierra Electric Company, the low bidder, on May 7, 2002.

Comments:

1. Mr. Desai reports that work on the emergency contract began on September 10, 2002 and is scheduled to be completed by October 31, 2002. Mr. Desai further reports that the PUC has paid the contractor $214,830 to date.

2. Attachment II is a memorandum from Mr. Jon Loiacono of the PUC explaining why a declaration of emergency was recommended by the PUC General Manager on April 25, 2002, but the emergency was not ratified by the PUC until August 13, 2002 or approximately 3½ months later. This memorandum also explains why this project had to be treated as an emergency since the work on the contract did not begin until September 10, 2002, or approximately 4½ months after the date of April 25, 2002 when the emergency situation was recommended by the General Manager of the PUC.

3. Section 6.60 of the Administrative Code states that:

> An "actual emergency" means a sudden, unforeseeable and unexpected occurrence involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss of or damage to, life, health, property or essential public services.

Although the Budget Analyst does not question the necessity of this project, the Budget Analyst questions why the $441,000 contract for this project had to be declared an emergency contract utilizing expedited bid procedures under Section 6.60 of the Administrative Code since the PUC ratified the declaration of an emergency on August 13, 2002 or more than approximately three and one half months subsequent to the date of April 25, 2002

when the project was recommended as an emergency by the PUC General Manager. If this contract had not been treated as an emergency contract, the PUC would have been required to utilize formal competitive bidding procedures to award the contract, including the advertising of the Invitation for Bids in at least one local newspaper which handles the City's official advertising. Therefore, the Budget Analyst considers approval of the resolution to be a policy matter for the Board of Supervisors. The PUC responds in Attachment II indicating that the delay in declaring the emergency by the PUC was due to obtaining needed reviews by the Human Rights Commission and City Planning.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Attachment I

PUBLIC UTILITIES COMMISSION
SCHEDULE OF BID PRICES

Contract No.: CW-336
SEWPCP Building 011 Improvements - Main Lift Pumps VFDs Replacement
Estimate: $450,000.00

			Sierra Electric Co.		Mayer Electric Co., Inc.		Millard Tong Const. Co	
Bid Item No.	Unit	Bid Description	Unit Price	Amount	Unit Price	Amount	Unit Price	Amount
1	L.S.	REMOVAL OF FOUR VFDS, CONDUIT, AND WIRING		$7,500.00		$12,159.00		$10,200.00
2	L.S.	FURNISHING AND INSTALLATION OF 2-400HP & 2-600HP VFDS, TESTING, STARTUP, TRAINING & COMMISSIONING		$296,500.00		$326,193.00		$351,000.00
3	L.S.	FURNISHING AND INSTALLATION OF TWO PUMP SPEED CONTROL PANELS		$30,000.00		$32,108.00		$45,600.00
4	L.S.	FURNISHING AND INSTALLATION OF MULTI-CONDUCTOR, SHIELDED CABLES BETWEEN VFDS AND MOTORS		$11,500.00		$25,651.00		$15,500.00
5	L.S.	REMOVAL, AND FURNISHING & INSTALLATION OF FEEDER CONDUCTORS BETWEEN VFDS AND MCCS.		$37,500.00		$20,651.00		$28,300.00
6	L.S.	UPGRADE ONE EXISTING VFD		$58,000.00		$55,399.00		$55,660.00
		Total		$441,000.00		$472,161.00		$506,260.00

There were no response to the City's Request for Quotations from Bay Area Systems and Solutions Inc. DBA BASS (LBE/MBE); and Bleco Builders Inc. (LBE/WBE)

SFPUC

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
1155 MARKET ST., 4TH FLOOR, SAN FRANCISCO, CA 94103 • TEL. (415) 554-3155 • FAX (415) 554-3161

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

WATER
HETCH HETCHY
WATER & POWER
CLEAN WATER

October 9, 2002

Harvey M. Rose
Budget Analyst
1390 Market Street, Ste 1025
San Francisco, CA 94103

Re: Contract No. CW-336E, SEWPCP Bldg 011 Main Lift Pumps VFDs Replacement

Dear Mr. Rose:

In accordance with Chapter 6, Article IV, Section 6.60 of the San Francisco Administrative Code, the San Francisco Public Utilities Commission (SFPUC) requested the Board of Supervisors to approve the expenditure of funds for the subject contract on September 12, 2002. This letter is in response to additional information requested from your office.

The General Manager of the SFPUC requested an emergency contract on April 25, 2002. The emergency was ratified on August 13, 2002 by SFPUC Resolution No. 02-0151. The reason for the time gap is because this contract required review and approval from HRC (Chapter 12D waiver) and City Planning (categorical exemption from environmental review) prior to ratification by the SFPUC. The General Manager has now directed staff to coordinate these reviews in the future with other City departments in an expeditious manner to avoid delays similar to this contract.

The scope of work included purchasing and installing four variable frequency drives (VFDs) for sewage main lift pumps at the Southeast Water Pollution Control Plant (SEWPCP). The construction could not start until September 2002, because VFDs fabrication and delivery had a lead-time of twenty (20) weeks. VFDs were ordered on the May 7, 2002 by the Contractor upon the receipt of Notice to Proceed from SFPUC. VFDs were delivered to the SEWPCP on September 5, 2002. The construction commenced on September 10, 2002.

If you have further questions regarding this project, please contact me at 242-2228.

Sincerely,

Jon Loiacono

Jon Loiacono, Manager
Environmental Engineering, WPC

Item 4 – File 02-1647

Department: Department of Public Works (DPW)
San Francisco Redevelopment Agency (SFRA)

Item: Resolution authorizing the Director of the Department of Public Works to accept and expend $9,375,000 in Federal Transportation Equity Act for the 21st Century (TEA21) Demonstration Funds with required local matching funds of $2,344,000 to undertake environmental studies related to the feasibility of building the South Basin Bridge in the City and County of San Francisco.

Grant Amount: $ 9,375,000

Grant Period: October 1, 2001 to September 30, 2011 (10 years, See Comment No. 5)

Source of Funds: U.S. Department of Transportation, Federal Highway Administration (FHWA)

Required Match: 20%, ($2,343,750, See Comment No. 3 and Comment No. 6)

Indirect Costs: Indirect costs are not allowed by the granting agency.

Project: South Basin Bridge Project

Description: The proposed resolution would authorize the Director of the Department of Public Works (DPW) to accept and expend $9,375,000 of FHWA Demonstration Funds for the undertaking of environmental studies related to the feasibility of building the South Basin Bridge. As shown in the map in Attachment I provided by Ms. Tina Olson of the Department of Public Works, the South Basin Bridge is proposed to be located between Candlestick Point and Hunters Point, with an exact location to be determined after the environmental studies are completed. The San Francisco Redevelopment Agency (SFRA) would provide the required 20 percent local matching funds in the amount of $2,343,750 over the four-year life of the environmental studies, for a total project budget of $11,718,750.

The environmental studies related to the feasibility of building the South Basin Bridge would be conducted using the subject grant funds, of $9,375,000, together with the local match of $2,343,750, for a total project cost of $11,718,750. The project would include a formal environmental review process required by State and Federal law that would produce an Environmental Impact Report (EIR) and an Environmental Impact Statement (EIS). Such environmental studies would also include a water habitat study, a hazardous-materials study, a location hydraulic study, a water quality study and a traffic study. Ms. Olson indicates that the environmental studies are expected to be completed by Fiscal Year 2005-2006. According to Ms. Olson, these environmental studies would be the initial phase of a larger project to design and construct the South Basin Bridge, which has an estimated total project cost ranging between $110 million to $150 million, according to the DPW.

Ms. Olson advises that the South Basin Bridge would provide a more direct route to access Hunters Point Shipyard from Highway 101, in order to induce commercial development as well as support revitalization of the Shipyard. The South Basin Bridge would also redirect truck traffic away from local residential streets, according to Ms. Olson. The Bridge is intended to also accommodate the future extension of the Municipal Railway's 3rd Street Light Rail Project to the Shipyard. As noted above, the entire South Basin Bridge Project, including the costs for the proposed environmental studies, has a total estimated budget ranging between $110 million to $150 million. Ms. Olson advises that funding sources to construct the Bridge have not been identified as of the writing of this report.

Budget: Attachment II, provided by the DPW, contains the budget for the South Basin Bridge Project environmental studies totaling $11,718,750, including $9,375,000 in subject Federal grant funds and $2,343,750 in SFRA matching funds.

Comments: 1. As shown in Attachment II, provided by Ms. Olson, DPW intends to spend an estimated $9,372,364, out of the total project budget of $11,718,750, on environmental

consultant contracts to conduct the necessary environmental studies. Ms. Olson advises that DPW plans to issue a RFP/RFQ in December of 2002, select a consultant during the Summer of 2003 and award a contract to a consultant by October of 2003, or in approximately one year from now. According to Ms. Olson, the selected consultant may sub-contract some of the specific studies to other firms. As noted above, the environmental studies are anticipated to be completed in FY 2005-2006.

The Budget Analyst notes that since the RFP/RFQ has not yet been issued, the DPW cannot identify the prime and sub- consultants that will be selected, the hourly rates or the total cost of the consultant contracts. Therefore, the Budget Analyst recommends that $9,372,364 for the outside consultant contracts be placed on reserve by the Finance Committee pending identification of the actual consultants and submission to the Finance Committee of total costs including estimated hours and hourly rates. Ms. Olson disagrees with this recommendation because she states that the City's process for reviewing and approving consultant contracts already provides for extensive oversight including: (1) HRC review and approval the RFP; (2) Civil Service Commission review and approval of the proposed use of consultants; (3) the entire consultant selection process is overseen by HRC; and (4) the final contract is reviewed and approved by the Department Head, the Purchaser, the City Administrator and the City Attorney. Further, Ms. Olson states that for Federally funded transportation projects such as this project, Caltrans also performs a pre-award audit of the consultants' rates and internal controls and must approve the consultant contracts. According to Ms. Olson, because of the extensive City and Caltrans review and approval process for these consultant contracts, DPW estimates that it will take one year to have a consultant team on board for this project. Thus, Ms. Olson advises that it seems unnecessary to have the Board of Supervisors also review the consultant contracts.

2. As detailed in Attachment II, DPW will expend an estimated $2,346,386 to fund in-house DPW staff to initially develop the RFP/RFQ and then to oversee and

support the consultant's activities in relation to the environmental studies.

3. The proposed grant requires a 20 percent match, or $2,343,750, of the total project costs of $11,718,750. According to Ms. Olson, the SFRA included $180,000 of such local matching funds for the South Basin Bridge Project in the SFRA's FY 2002-2003 budget, as previously approved by the Board of Supervisors. This leaves a remaining local match balance of $2,163,750 ($2,343,750 total match required less $180,000 budgeted in FY 2002-2003). According to Mr. Don Capobres of the SFRA, and as shown in Attachment II, the SFRA intends to provide matching funds averaging $721,250 per year for three additional fiscal years (Fiscal Years 2003-2004 through 2005-2006), or a total of $2,163,750 from (a) proceeds from the sale of land at the Hunters Point Shipyard, (b) grants funds and (c) developer contributions. However, as of the writing of this report, Mr. Capobres cannot identify the specific funding sources for the remaining local match requirement of $2,163,750.

4. Ms. Olson reports that the Board of Commissioners of the San Francisco County Transportation Authority placed the South Basin Bridge Project on its Project Priorities List and approved the South Basin Bridge Project for incorporation into the 2001 Regional Transportation Plan of the Metropolitan Transportation Commission for the nine-county San Francisco Bay Area.

5. Attachment III, provided by the DPW, is the Department's Grant Information Form, including the Disability Access Checklist. Attachment III indicates a start date of October 1, 2001. However, Ms. Olson advises that the California Department of Transportation (Caltrans), the grant pass-through agency, only approved the subject grant amount on September 11, 2002 and DPW has until September 30, 2011 to expend the subject grant funds, or a period of over nine years. Ms. Olson also advises that none of the subject grant funds have been accepted or expended to date.

6. Ms. Olson advises that the proposed resolution incorrectly states that the required local matching funds

are $2,344,000. As shown in Attachment II, the required local matching funds are $2,343,750. Therefore, the proposed resolution should be amended to reflect the correct amount of matching funds.

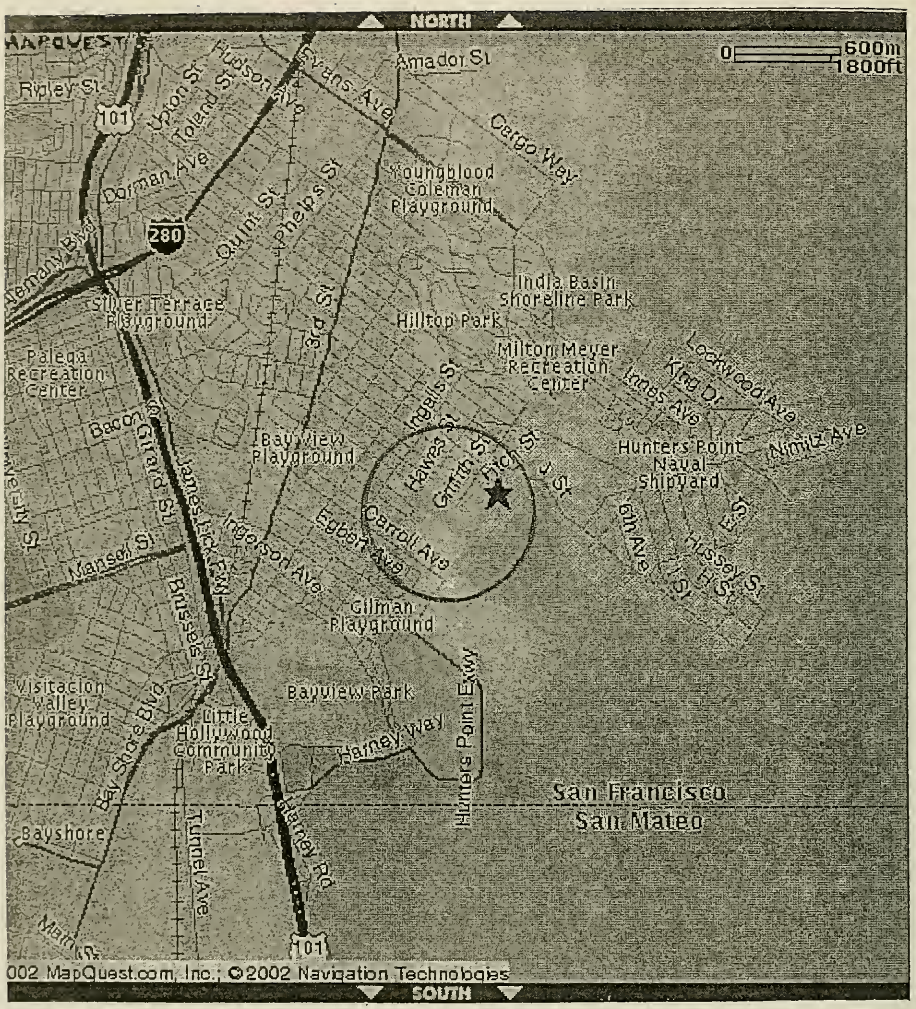
7. Given (1) that the subject Federal grant of $9,375,000 requires a 20 percent local match of $2,343,750, with no identification of specific funding sources except for $180,000 and (2) that the entire South Basin Bridge Project has a total estimated project cost ranging between $110 million to $150 million, for which funding sources have not yet been identified, the Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

Recommendations:

1. In accordance with Comment No. 1, amend the proposed resolution by reserving $9,372,364 for the environmental consultant contracts pending identification of the outside consultants and submission to the Finance Committee of total costs, including estimated hours and hourly rates. As noted previously, Ms. Olson disagrees with this recommendation because she states that the City's process for reviewing and approving consultant contracts already provides for extensive oversight including: (1) HRC review and approval the RFP; (2) Civil Service Commission review and approval of the proposed use of consultants; (3) the entire consultant selection process is overseen by HRC; and (4) the final contract is reviewed and approved by the Department Head, the Purchaser, the City Administrator and the City Attorney. Further, Ms. Olson states that for Federally funded transportation projects such as this project, Caltrans also performs a pre-award audit of the consultants' rates and internal controls and must approve the consultant contracts. According to Ms. Olson, because of the extensive City and Caltrans review and approval process for these consultant contracts, DPW estimates that it will take one year to have a consultant team on board for this project. Thus, Ms. Olson advises that it seems unnecessary to have the Board of Supervisors also review the consultant contracts.

2. In accordance with Comment No. 6, amend the proposed resolution by substituting $2,343,750 for $2,344,000 on page 1, line 6 and line 24.

3. In accordance with Comment No. 7, approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.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Silver Terrace Playground
3rd St
India Basin Shoreline Park
Hilltop Park
Milton Meyer Recreation Center
Palega Recreation Center
Ingalls St
Innes Ave
King Dr
Lockwood Ave
Bacon St
Bayview Playground
Hawes St
Griffith St
Fitch St
J St
Hunters Point Naval Shipyard
Nimitz Ave
Girard St
James Lick Fwy
Carroll Ave
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Brussels St
Gilman Playground
Visitacion Valley Playground
Bayview Park
Bay Shore Blvd
Little Hollywood Community Park
Harney Way
Hunters Point Expwy
San Francisco
San Mateo
Bayshore
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SOUTH

South Basin Bridge Project

Total Federal Grant	$9,375,000
Local Match @ 20%	2,343,750
Total	11,718,750

Cash Flow Analysis:

EIR/Planning/PE/Design	Total	Fed	Local
2002-03	$900,000	$720,000	$180,000
2003-04	3,606,250	2,885,000	721,250
2004-05	3,606,250	2,885,000	721,250
2005-06	3,606,250	2,885,000	721,250
	$11,718,750	$9,375,000	$2,343,750

South Basin Bridge Project--Environmental Phase
Engineer's Estimate of Costs for Environmental Analysis

Total Federal Grant	9,375,000
Local Match @ 20%	2,343,750
Total	$11,718,750

Environmental Consultant Contracts	**$9,372,364**
Environmental Review (EIR/EIS/CEQA/NEPA)	
Cultral Resources Study(Historic Preservation)	
Water Habitat Study	
Hazardous Materials Study and Investigations	
Location Hydraulic Study	
Natural Environment Study (Water Quality)	
Traffic Study	
DPW Staff Costs	**$2,346,386**

DPW Staff Costs

Project Management	**Classification**	**Hourly Rate**	**Hours**	**Extension**
Project Manager III	5506	$155	10,376	$1,603,481
Manager Regulatory Affairs	9398	122	2,283	277,795
Senior Clerk Typist	1426	59	156	9,263
Engineering				-
Civil Engineer	5241	121	1,556	188,828
Assistant Civil Engineer	5203	88	726	64,155
Civil Engineer Associate I	5364	74	311	22,934
Site Assessment Remediation (Chemist)	2488	107	726	77,604
Surveys				50,000
Student Intern	5382	54	792	43,063
Senior Clerk Typist	1426	59	156	9,263
Total DPW Staff Costs				**$ 2,346,386**

NOTES:

1. *Preliminary Total Project Cost is between $110 to $150 million for this project.*

2. *Hourly Rates are based on the current FY02-03 rate and does not account for inflation*

File Number: ______________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Transportation Equity Act for the 21st Century Demonstration Funds (Demo Funds)

2. Department: Public Works

3. Contact Person: Tina Olson Telephone: 554-4830

4. Grant Approval Status (check one):

X Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: $ 9,400,000

6a. Matching Funds Required: $ 2,350,000
b. Source(s) of matching funds (if applicable): SFRA funds

7a. Grant Source Agency: U.S. Department of Transportation, Federal Highway Administration (FHWA)
b. Grant Pass-Through Agency (if applicable): California Department of Transportation (Caltrans)

8. Proposed Grant Project Summary:

South Basin Project

Project Limits:

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: October 1, 2001 End-Date: September 30, 2011

10. Number of new positions created and funded: -0-

11. If new positions are created, explain the disposition of employees once the grant ends?

12a. Amount budgeted for contractual services: $9,375,000

b. Will contractual services be put out to bid? Yes

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? Yes

d. Is this likely to be a one-time or ongoing request for contracting out? One-time

13a. Does the budget include indirect costs? [ ] Yes [X] No

b1. If yes, how much? $
b2. How was the amount calculated?

c. If no, why are indirect costs not included?
[X] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

Disability Access Checklist*

15. This Grant is intended for activities at (check all that apply):

[X] Existing Site(s)	[ ] Existing Structure(s)	[ ] Existing Program(s) or Service(s)
[ ] Rehabilitated Site(s)	[ ] Rehabilitated Structure(s)	[ ] New Program(s) or Service(s)
[ ] New Site(s)	[ ] New Structure(s)	

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments: Included in the scope of work will be the installation of new curb ramps in accordance with the Federal Americans with Disability Act (ADA).

Departmental or Mayor's Office of Disability Reviewer:______________________
Kevin Jensen

Date Reviewed:______________

Department Approval: ______________________
Edwin M. Lee Director of Public Works

____
(Signature)

Item 6 - File 02-1236

Department: Department of Building Inspection (DBI)

Item: Ordinance amending Section 110 of the San Francisco Building Code to increase fees for Department of Building Inspection services.

Description: The proposed ordinance would amend the Public Works Code to create two new fees and increase existing fees for Building Code-related services performed by the Department of Building Inspection (DBI). According to Ms. Amy Lee, Assistant Director of DBI, the Department is proposing the fee changes because the current fee levels do not cover the costs of providing certain Building Code-related services. Therefore, the proposed ordinance would increase certain fees and create two new fees in order to cover the costs to provide such services. In the attached memorandums, DBI states that DBI's fees have not been increased since 1991 or 1992[1].

The proposed fee changes are:

- a new Central Permit Bureau Fee of $20.00;
- a new Retrieval of Records from Off-Site Warehouse Fee of $20.00;
- an increase in the fee for a Report of Residential Records (3R) from $27.30 to $50.00; and
- standardizing the hourly inspection fee to $80.00 per hour from the current range of fees from $44.90 to $86.35.

Attachment I, provided by Mr. Frank Chiu, the Director of DBI, contains a table showing the existing fees, the proposed fees, the current annual revenues realized from the existing fees, and the proposed annual increase in fee revenues if the new fees are adopted. Attachment I also explains the nature of these fees, the basis for establishing the new fees and increasing the existing fees, the current annual costs to perform the services and the projected percentage of costs to be recovered if the proposed fees are approved by the Board of Supervisors.

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[1] The DBI memorandum (Attachment I) states that DBI fees were last changed in 1992. The other DBI memorandum (Attachment II) states that DBI fees were last changed in 1991.

Comments:

1. DBI reports in Attachment I that for FY 2001-2002, actual revenue realized from the existing Report of Residential Records (3R) and hourly inspection fees was $644,834. As shown in Attachment I, DBI estimates that the proposed fee changes would result in estimated annual fee revenues of $2,056,539, resulting in an annual increase in fee revenues of $1,411,705, for the four subject fees or an increase of 218.93 percent over the current fee revenues.

2. DBI reports in Attachment I that the Central Permit Bureau incurs estimated annual costs of $1,100,000 and that the new Central Permit Bureau Fee would result in estimated annual revenues of $1,140,000, resulting in a cost recovery of 103.64 percent. DBI reports that the production of the Report of Residential Records incurs annual costs of an estimated $1,042,435 and that the new Report of Residential Records Fee amount would result in estimated revenues of $410,746 or cost recovery of 39.40 percent. DBI further reports that the annual costs for Records Storage and Retrieval are an estimated $6,100 and that the new fee for Records Storage and Retrieval for Refunds[2] would result in estimated annual revenues of $480 or cost recovery of 7.87 percent. DBI did not provide cost recovery calculations for the proposed increased hourly inspection fees.

3. Attachment II, provided by Mr. Chiu, contains DBI's Revenue Fund balances for Fiscal Years 1998-1999 through 2002-2003. As shown in Attachment II, Mr. Chiu reports that the Building Inspection Revenue Fund is currently projected to have a $5,400;000 surplus revenue balance at the end of FY 2002-2003 and he explains why DBI is now requesting changes in the fee schedule despite this current projected surplus. The Budget Analyst questions the need to increase fee levels when DBI currently anticipates a surplus revenue balance of $5,400,000 at the end of FY 2002-2003.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

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[2] This fee included in the table in Attachment I is referred to as the Records Storage and Retrieval for Refunds. However, the correct fee name as included in the ordinance is Retrieval of Records from Off-Site Warehouse Fee.

CITY AND COUNTY OF SAN FRANCISCO
DEPARTMENT OF BUILDING INSPECTION

WILLIE LEWIS BROWN JR., MAYOR
FRANK Y. CHIU, C.B.O., DIRECTOR

October 10, 2002

Proposed Fee Changes for the Building Code

Board of Supervisors
Finance Committee
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco CA 94102

Honorable Members of the Finance Committee:

As you are aware the Department of Building Inspection is a Special Fund[1] Department that is charged to safeguard the life and property of the citizens of San Francisco by enforcing the City's Building, Housing, Plumbing, Electrical, and Mechanical Codes and its Disability Access Regulations. In order to fulfill this mission DBI engages in the following activities: 1) inspects buildings and structures for compliance with related codes and regulations; 2) reviews plans for conformance with related codes and regulations; 3) approves and issues permits; 4) maintains and updates microfilm records; and 5) processes Residential Records reports; and 6) provides a forum through advisory committees for citizens to make recommendations and resolve issues.

The Department's services are funded solely from fee revenues for plan checking, inspections, housing fees, microfilm, and code enforcement. As a Special Revenue Funded Department, it cannot receive any General Funds to maintain its operations. As a result, it is incumbent on the Department to provide adequate financial measures to ensure the continued operations in the event of an earthquake or any downturn in the economy. All fees are listed in a schedule of fee tables and are part of the Building Code. The fee tables are primarily based on the value of the project or renovation. The schedule of Fee Tables has not changed since 1992.

However, since 1992, the Department has implemented numerous additional customer services such as the One-Stop Program, substantial increase in staff to improve quality and reduce the turnaround time, online permitting, Community Action for Seismic Safety, Code Enforcement Outreach Program, Brown Bag Lecture Lunches, etc.

After many public meetings and input, and careful review, we believe that there are certain areas in our fee structure that has been under-funded:

a. **New Central Permit Bureau Fee of $20.00 for permit processing of each fee processed.** The Central Permit Bureau is under the management of the Building Inspection Commission under SF Charter Section D3.750-4. CPB must recover the costs incurred in permit processing and issuance. This fee is necessary for proper management of CPB. In past years, there has been no funding

[1] Special Fund Departments rely solely on their own various sources of revenue to operate the Department. There is no legislative or administrative mechanism to receive funds from the General Fund if ever necessary. Special Fund Departments must provide their own revenue mechanisms to cover all operating and administrative expenditures.

1660 Mission Street, Sixth Floor - San Francisco, CA 94103
Office (415) 558-6131 - FAX (415) 558-6225
www.ci.sf.ca.us/dbi - frank_chiu@ci.sf.ca.us

mechanism established for the collection of such direct costs. DBI surplus revenues that are no longer available have covered the resulting budgetary shortfall. New fee would provide an additional $1.14 million based on a projected 57,000 permits in new revenue. Central Permit Bureau incurs approximately $975,000 of direct salary expenses and an additional $153,000 in direct non-salary expenses. On average, CPB processes about 59,838 permits yearly. [($975k + $153k)/59,838] **Please note, the original new fee was $18.85 but BIC subsequently rounded this figure to $20.**

b. **Increase Report of Residential (3-R Report) Fee from $27.30 to $50.00.** 3-R reports take a significant amount of clerical time to research, prepare reports, mail, and file and copy each report. San Francisco charges significantly less than other jurisdictions for 3-R reports.[2] Increase in 3-R fee would result in an additional $201,417 in revenue. The Records Management Section incurs approximately $1.3 of direct expenses and receives approximately $370,000 in revenue for the entire section. It takes approximately 1 hour and 30 minutes of clerk time with an hourly rate of $32.33 including fringes. **The analysis centered only on ensuring the fee reflected salary expenses since community input dictated that a fee of more than $50 would be unacceptable.**

c. For permits that have expired more than one year before the date of request of any refund, **an additional charge of $20 shall be added for records storage and retrieval.** There is substantial direct cost (approximately $20) to retrieve older records from off-site warehousing.

d. **Standardize hourly fees throughout the Fee Table for plan review, Inspection, and special services at $80.** Current hourly fees range is $86.35 (Table 1-B, item #7), $72.45 (Table 1-B, Item #1), $68.5 (Table 1-G, Item #1), $55.90 (Table 1-K, Item #3), $44.90 (Table 1-K, Item #4). Proposed standard hourly fee is $72.45 plus a cost of living adjustment of 3.5 % resulting inn $74.99. **The original amount was determined to be $74.99 but BIC subsequently rounded this figure to $80.**

The Department is aware that a serious and thorough analysis of all its fees is necessary. The Department will propose for next fiscal year, to obtain highly specialized fee consultants to analyze our fee structure, conduct time and motion studies, conduct benchmarking analysis, and review Marshall and Swift valuations to provide recommendations to the Department, its Commission and its public users to ensure that the current fee structure adequately reflect the provision of our services.

Very truly yours,

Frank Y. Chiu, C.B.O.
Director

cc: Harvey Rose, Budget Analyst

[2] Daly City charges $45, Oakland charges $110 Base Fee, and Los Angeles charges $70.25

Budget Analyst Requested Table

Fee Name	Existing Fee	Proposed Fee	Increase in Fee	Actual Revenue Realized in FY 01-02	Projected Annual Revenue from Proposed Fee Level	Annual Increase in Revenue	Costs for Providing Service	Amount of Annual Costs Exceeding Current Revenues	FY 01-02 % of Costs Recovered	Projected % Costs Recovered from Proposed Fee Level
Central Permit Bureau Processing Fee	0	$20	$20	$0	1,140,000	1,140,000	$1,100,000	40,000	0%	103.64%**
Report of Residential Record (3R)	$27.30	$50	$22.70	$209,329	$410,746	$201,417	$1,042,435	(841,018)	20%	39.40%
Records Storage & Retrieval for Refunds	$0.00	$20	$20.00	$0	$480	$480	$6,100	(5,620)	0%	7.87%
Standardize Hourly* Rate for PID	$68.50	$80*	$11.50	$10,132	$11,833	$1,701	Current hourly salary/fringe is approx. $48. This figure does not include overhead hourly costs			
Standardize Hourly* Rate for BID	$68.50	$80	$11.50	$8,838	$10,322	$1,484	Current hourly salary/fringe is approx. $48. This figure does not include overhead hourly costs			
Standardize Hourly* Rate for EID	$68.50	$80	$11.50	$364,616	$425,829	$61,213	Current hourly salary/fringe is approx. $48. This figure does not include overhead hourly costs			
Standardize Hourly* Rate Plan Check	$72.45	$80	$7.55	$51,919	$57,329	$5,410	Current hourly salary/fringe is approx. $57. This figure does not include overhead hourly costs			
			Totals	$644,834	$2,056,539	$1,411,705				

*See pages 4-7 for schedule of hourly inspection fees.

Please Note: Projected Revenue Figures for standardizing hourly rates are general projections based on only off hour requests and were summarized by activity for simple analysis. Please see attachment for further details of hourly fee changes.

**The Budget Analyst notes that projected revenues exceed projected costs by $40,000 or 3.64 percent.

DEPARTMENT OF BUILDING INSPECTION
City & County of San Francisco
1660 Mission Street, San Francisco, California 94103-2414

MEMORANDUM

DATE: October 10, 2002

TO: Ms. Amy Lee, Assistant Director

FROM: Alan Tokugawa, Code Analyst
Lou Aurea, Senior Administrative Analyst

SUBJECT: Proposed Fee Changes to Section 110 of Building Code

TABLE 1-B PERMIT APPLICATION AND PLAN REVIEW FEES

ITEM NUMBER	DESCRIPTION	CURRENT FEE	PROPOSED FEE
1	BACK CHECK FEE	$ 72.45	$ 80.00
3	ELECTRICAL PLAN REVIEW	$ 72.45	$ 80.00
5	MECHANICAL PLAN REVIEW	$ 72.45	$ 80.00
7	PLAN REVIEW UNDER PRIOR CODE	$ 86.35	$ 80.00
8	PRE-APPLICATION PLAN REVIEW DEPT. EMPLOYEE FEE AFTER FIRST 2 HOURS	$ 137.05 $ 72.45	$ 160.00 $ 80.00
13	PLUMBING PLAN REVIEW	NO CHARGE	$ 80.00 PER HR.

TABLE 1-C — PLUMBING PERMIT FEES

ITEM NUMBER	DESCRIPTION	CURRENT FEE	PROPOSED FEE
V. B	STD. INSPECTION FEES	$ 68.50	$ 80.00

TABLE 1-E — ELECTRICAL PERMIT FEES

ITEM NUMBER	DESCRIPTION	CURRENT FEE	PROPOSED FEE
B	STD. INSPECTION FEES	$ 68.50	$ 80.00
VI	SURVEY: BASE MINIMUM	$ 137.00	$ 160.00
VI	LIFE SAFETY; BASE MINIMUM	$ 137.00	$ 160.00
VI	ADD'L HOUR FEE	$ 68.50	$ 80.00

TABLE 1-G — INSPECTIONS, SURVEYS & REPORTS

ITEM NUMBER	DESCRIPTION	CURRENT FEE	PROPOSED FEE
1	STD. HOURLY INSPECTION	$ 68.50	$ 80.00
5	RPT OF RESIDENTIAL RECORDS (3R)	$ 27.30	$ 50.00

TABLE 1-J — MISCELLANEOUS FEES

ITEM NUMBER	DESCRIPTION	CURRENT FEE	PROPOSED FEE
1	CENTRAL PERMIT BUREAU FEE - PERMIT PROCESSING	NO CHARGE	$ 20.00 PER PERMIT

TABLE 1-L — PUBLIC INFORMATION

ITEM NUMBER	DESCRIPTION	CURRENT FEE	PROPOSED FEE
6	RETRIEVAL OF RECORDS FROM OFF-SITE WAREHOUSE	NO CHARGE	$ 20.00 PER REQUEST

TABLE 1-P — APARTMENT HOUSE & HOTEL LICENSE FEES

ITEM NUMBER	DESCRIPTION	CURRENT FEE	PROPOSED FEE
1	CHANGE OF OWNERSHIP..... MORE APARTMNTS THAN 30 UNITS	$ 34.15 $ 50.00 FOR EACH ADD'L 10 UNITS	$ 34.15 $ 50.00 FOR EACH ADD'L 10 UNITS
2	CHANGE OF OWNERSHIP..... MORE HOTELS THAN 175 ROOMS	$ 34.15 $ 50.00 FOR EACH ADD'L 25 ROOMS	$ 34.15 $ 50.00 FOR EACH ADD'L 25 ROOMS

Note* These fees are approved by prior ordinance, but inadvertently deleted. Need to be re-approved.

TABLE 1-Q — HOTEL CONVERSION ORDINANCE FEES

ITEM NUMBER	DESCRIPTION	CURRENT FEE	PROPOSED FEE
6	REQUEST FOR HEARING INSPCTN STAFF REVIEW FEE	$ 68.50	$ 80.00
7	UNSUCCESSFUL CHALLENGE:.USAGE REPORT STAFF REVIEW FEE	$ 68.50	$ 80.00
	REQUEST FOR WINTER RENTAL.... STAFF REVIEW FEE	$ 68.50	$ 80.00

TABLE 1-R — REFUNDS

ITEM NUMBER	DESCRIPTION	CURRENT FEE	PROPOSED FEE
1	PERMIT OR INSPECTION FEES - BUILDING PERMIT - DEMOLITION PERMIT - GRADING PERMIT	 $ 88.70 $ 68.50 $ 68.50	 $ 80.00 $ 80.00 $ 80.00
2	COMBINATION PERMIT & INSP. FEES - ELECTRICAL - PLUMBING - MECHANICAL	 $ 68.50 $ 68.50 $ 68.50	 $ 80.00 $ 80.00 $ 80.00

TABLE 1-S — UNREINFORCED MASONRY BEARING WALL BUILDING RETROFIT

ITEM NUMBER	DESCRIPTION	CURRENT FEE	PROPOSED FEE
-	REVIEW INVENTORY FOR SEC. 1604B.2.	$ 75.00	$ 80.00
-	REVIEW SUMMARY OF ENGINEERING REPORT SECTION 1604B.2.3	$150.00	$160.00

CITY AND COUNTY OF SAN FRANCISCO
DEPARTMENT OF BUILDING INSPECTION

WILLIE LEWIS BROWN JR., MAYOR
FRANK Y. CHIU, C.B.O., DIRECTOR

October 10, 2002

Surplus Funds

Harvey Rose
Budget Analyst
1390 Market Street, Suite 1025
San Francisco CA 94102

Dear Mr. Rose:

As a result of several factors, unusually high construction activity, dot-com real estate boom, interest earnings, high code violation settlement funds, and conservative spending, conservative revenue estimates & budgeted expenditures, the Department of Building Inspection has had the following balance to our surplus account:

1998-99	$1.8 Million
1999-00	$8.2 Million
2000-01	$2.3 Million
2001-02	$(1.7) Million
2002-03	$5.4 Million

Because we are a Special Fund Department, it is necessary that DBI maintain a sufficient surplus balance to provide ongoing funds for operations. This is especially critical in cases of emergency, economic downturn and earthquakes. DBI provides many services that do not necessarily generate revenue such as complaint response, technical guidance, and many other customer services separate from permit issuance.

Indeed, many jurisdictions maintain surplus of at least a half year's of operating expenses to ensure sufficient operating funds. The Department incurs nearly $23 million in just salary expenses alone. To date our balance in surplus is approximately $5.4 million. Because of significant reduction in revenue, DBI utilized nearly $3.5 million of surplus funds to close out fiscal year 2001-02. This was necessary despite efforts to minimize expenditures (DBI under spent its budgeted expenditures by nearly $6.0 million).

The Department has not increased its fee since 1991. However, we have expanded our services two-fold. It has also become necessary to examine expenditures to improve services and respond to increasing salary expenses.

It is also likely that the unusually high level of construction activity that allowed us to accumulate a surplus will not be repeated. Indeed, Ken Rosen, a highly regarded economist believes that new construction will not significantly occur until 2007. Further such activity will not reach the level we saw in previous fiscal years.

1660 Mission Street, Sixth Floor - San Francisco, CA 94103
Office (415) 558-6131 - FAX (415) 558-6225
www.ci.sf.ca.us/dbi - frank_chiu@ci.sf.ca.us

It has become increasingly clear that the current fees do not adequately capture our costs and we can no longer delay changes to the fees. As a non-General Fund Department, it would be imprudent to deplete our surplus funds.

Very truly yours,

Frank Y. Chiu, C.B.O.
Director

Item 7 – File 02-1580

Department: Public Library

Item: Resolution authorizing the San Francisco Public Library to accept and expend a gift in the amount of $44,342 from the Friends and Foundation of the San Francisco Public Library to support public programming and outreach at Branch Libraries and to continue production of a monthly newsletter to promote programs, services and special events offered by the Public Library.

Amount: $44,342

Gift Period: December 1, 2002 to June 30, 2003 (seven months)

Source of Funds: Friends and Foundation of the San Francisco Public Library

Required Match: None

Indirect Costs: The proposed resolution does not include indirect costs in order to maximize the use of available funds on project expenditures.

Description: The proposed resolution authorizes the Public Library to accept and expend a gift of cash in the amount of $44,342 from the Friends and Foundation of the Public Library in order to create two limited-term, half-time positions. The two positions would be a Curator II and a Public Information Officer (PIO). The Curator II position would conduct community outreach activities related to programs, services and special activities for children, youth and adults offered by the Branch Libraries. These activities would increase community awareness and participation in programs offered by the Library through June 30, 2003 (See Comment No. 3).

Mr. George Nichols of the Public Library advises that the Curator II position most closely matches the duties and responsibilities required for community outreach activities, as determined by the Public Library's Human Resources department. For that reason, according to Mr. Nichols, the position created under the subject gift would be a Curator II.

The PIO position would be hired to write, edit and manage the production of "At the Public Library," a monthly publication that promotes and informs the community on services, programs and special events sponsored by the Library. "At the Public Library" also provides information on Library locations, hours and general items of interest. The Friends and Foundation of the San Francisco Public Library currently produces "At the Public Library." However, according to Mr. Nichols, the Friends and Foundation will no longer produce "At the Public Library" and has only agreed to fund the proposed PIO position through June 30, 2003 (See Comment No. 3)

Budget: The subject gift budget submitted by the Public Library is Attachment I and shows total costs of $40,742 (See Comment No. 2)

Comments:

1. According to Mr. Nichols, the Curator II and PIO would both be new limited term positions created to begin on December 1, 2002 and terminate on June 30, 2003, a period of seven months. However, the proposed resolution does not designate these two positions as either L (limited term) or G (grant or gift funded). Mr. Nichols advises that these two positions will conduct activities beyond the routine workload of the Library staff, during this seven-month period.

2. Mr. Nichols advises that the requested gift amount of $44,342 was incorrectly calculated and the correct total budget for the two positions and fringes from December 1, 2002 through June 30, 2003 is $40,742, including $20,389 for the Curator II and $20,353 for the Public Information Officer. The Budget Analyst therefore recommends the resolution be amended to reduce the subject gift amount by $3,600 from $44,342 to $40,742.

3. Mr. Nichols advises that the subject gift from the Friends and Foundation is only intended to fund these two positions for the remainder of the current fiscal year. According to Mr. Nichols, Public Library staff would later determine whether to seek City funding as part of the FY 2003-2004 annual budget process for the continuation of these two positions.

The Budget Analyst questions the policy of creating two new positions at this time to perform ongoing activities, which would only be funded by this subject gift for seven months. The Budget Analyst also notes that it is likely that the Public Library will request that these two positions continue to be funded in their FY 2003-2004 budget with Public Library funds. Therefore, the Budget Analyst considers approval of the subject gift to be a policy matter for the Board of Supervisors.

4. Attachment II, provided by the Library, is the Grant Information Form, which includes the Disability Access Checklist.

Recommendations:

1. In accordance with Comment No. 1 amend the proposed resolution to request the Controller to designate that the two new positions created under the subject gift be "G" coded for gift or grant-funded positions

2. In accordance with Comment No. 2,
(a) amend line 21 on page 1 of the proposed resolution, File 02-1580, to substitute $20,389 for $22,189.
(b) amend line 2 on page 2 of File 02-1580 to substitute $20,353 for $22,153.
(c) amend line 10 on page 2 of File 02-1580 to substitute $40,742 for $44,342.

3. As discussed in Comment No. 3, approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

San Francisco Public Library — Gift Budget
FY 2002-03

TITLE: Gift from the Friends and Foundation of the San Francisco Public Library to support outreach activities for the Branch Libraries and to continue publication of "At the Public Library" a monthly publication to inform and promote Library programs, services, and special activities among San Francisco's diverse communities.

DIVISION: Public Affairs
CONTACT PERSON: Marcia Schneider/George Nichols

A. PERSONAL SERVICES

Classification Number and Title	Bi-Weekly Salary Range	No. Positions	FTE	Bi-Weekly Salary (mid)	Annual Salary
3542 Curator II (effective 12/1/02)	1835-2230	$ 1	$ 0	$ 2,074	$ 15,725
1312 PIO (effective 12/1/02)	1831-2226	$ 1	$ 0	$ 2,069	$ 15,694
TOTAL SALRIES		$ 1	$ 1		$ 31,419
FRINGE BENEFITS					$ 9,323
TEMPORARY HELP (3610s)			$ -		$ -
OVERTIME					$ -
TOTAL PERSONAL SERVICES		$ 1	$ 1		$ 40,742
TOTAL OPERATING EXPENSE					$ -
TOTAL COST					$ 40,742

	Pay Period	Annual	3542 Curator	1312 PIO
Retirement	$ 0	$ 0	$ 1,179	$ 1,177
OASDI/HI	$ 0	$ 0	$ 1,203	$ 1,201
Unemployment Insurance	$ 0	$ 0	$ 157	$ 157
Subtotal	$ 0	$ 0	$ 2,540	$ 2,535
Disability Insurance	$ 3	$ 67	$ 38	$ 38
Medical	$ 225	$ 2,700	$ 1,575	$ 1,575
Dental	$ 34	$ 886	$ 511	$ 511
Subtotal	$ 262	$ 3,653	$ 2,125	$ 2,125
			$ 4,664	$ 4,659
TOTAL			$ 20,389	$ 20,353

..nber: ______________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1) Grant Title: Gift from the Friends and Foundation of the San Francisco Public Library to support outreach activities for the Branch Libraries and to continue publication of "At the Library", a monthly publication to inform and promote Library programs, services, and special activities among San Francisco's diverse communities.

2) Department: Public Library

3) Contact Person: George M. Nichols Telephone: 557-4248

4) Grant Approval Status (check one):

[X] Approved by funding agency [ ] Not yet approved

5) Amount of Grant Funding Approved or Applied for: $44,342.00

6) a. Matching Funds Required: $0.00
b. Source(s) of matching funds (if applicable): N/A

7) a. Grant Source Agency: Friends and Foundation of the San Francisco Public Library
b. Grant Pass-Through Agency (if applicable): N/A

8) Proposed Grant Project Summary:

- $22,189 to establish a limited-term, half-time Curator II position (effective date 12/1/02) to conduct community outreach activities related to programs, services, and special activities for children, youth, and adults offered by the Branch Libraries.
- $22,153 to establish a limited-term, half-time Public Information Officer (effective 12/1/02) to continue publication of "At the Library" a monthly publication that promotes and informs the community on services, programs, and special events sponsored by the Public Library.

9) Grant Project Schedule, as allowed in approval documents, or as proposed:

(1) Start-Date: December 1, 2002 End-Date: June 30, 2003

10) Number of new positions created and funded: Two half-time positions -- a half-time Curator II and a half-time Public Information Officer. Both positions are limited-term appointments.

11) If new positions are created, explain the disposition of employees once the grant ends? Appointments will be made on a limited-term basis. Position authority will expire June 30, 2003 at which time employment will be terminated. Continuation of programs or activities funded by this gift beyond June 30, 2003 is subject to approval of the Mayor and appropriation of funds by the Board of Supervisors.

12) a. Amount budgeted for contractual services: None.

b. Will contractual services be put out to bid? N/A

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? N/A

d. Is this likely to be a one-time or ongoing request for contracting out? N/A

13) a. Does the budget include indirect costs? [ ] Yes [X] No

b1. If yes, how much? $0.0

b2. How was the amount calculated?

c. If no, why are indirect costs not included?

i) [ ] Not allowed by granting agency [X] To maximize use of grant funds on direct services

ii) [ ] Other (please explain): This is a private gift for specific purposes

14) Any other significant grant requirements or comments:

15) ****Disability Access Checklist*****

16) This Grant is intended for activities at (check all that apply):

17) [ ] Existing Site(s) [ ] Existing Structure(s) [x] Existing Program(s) or Service(s)

18) [ ] Rehabilitated Site(s) [ ] Rehabilitated Structure(s) [ ] New Program(s) or Service(s)

19) [ ] New Site(s) [ ] New Structure(s)

20) The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: Rich Walsh
(Name)

Date Reviewed: 8/20/02

Department Approval: Susan Hildreth City Librarian
(Name) (Title)

Susan Hildreth
(Signature)

Item 8 - File 02-1339

Item:	Ordinance amending the San Francisco Business and Tax Regulations Code to enact a new Article 20 to provide for the protection of private financial information.
Description:	The proposed ordinance, to be known as the "San Francisco Financial Information Privacy Ordinance of 2002," would amend the San Francisco Business and Tax Regulations Code to require financial institutions to provide specified notice to, and to obtain the consent of their consumers before disclosing or sharing confidential consumer information with any third party. The proposed ordinance provides that a "financial institution" is defined as "any institution engaging in financial activities as described in Section 1843(k) of Title 12 of the United States Code and doing business in the City and County of San Francisco. An institution that is significantly engaged in financial activities is a financial institution."

Under the proposed ordinance, which, if approved, would become operative on January 1, 2003, a financial institution would be prohibited from denying a consumer a financial product or a financial service because the consumer has not provided consent to the financial institution to disclose or share the consumer's confidential information. In addition, the proposed ordinance would require that financial institutions which receive confidential consumer information from a third party take reasonable steps to ensure that the third party providing the information has followed the required notice and consent procedures, as contained in this proposed ordinance, prior to sharing confidential consumer information.

"Confidential consumer information" is defined as personally identifiable financial information (1) provided by a consumer to a financial institution, (2) resulting from any transaction with the consumer or any service performed for the consumer, or (3) otherwise obtained by the financial institution including any list, description, or other grouping of consumers, and publicly available information pertaining to them that is derived using any nonpublic personal information, but does not include any

list, description, or other grouping of consumers, and publicly available information pertaining to them that is derived without using any confidential consumer information. According to the proposed ordinance, "Personally identifiable financial information means information (1) that a consumer provides to a financial institution to obtain a product or service from the financial institution, (2) about a consumer resulting from any transaction involving a product or service between the financial institution and a consumer, or (3) that the financial institution otherwise obtains about a consumer in connection with providing a product or service to that consumer."

The proposed ordinance provides that certain consumer information can be released by a financial institution, including: (a) information that is not personally identifiable to a specific consumer; (b) information that is necessary to effect, administer, or enforce a transaction requested or authorized by the consumer; (c) information that is necessary to protect the confidentiality or security of the financial institution's records, to protect against fraud or for resolving consumer disputes or inquiries; (d) information to be released to persons holding a legal or beneficial interest in the consumer, or acting in a fiduciary or representative capacity on behalf of the consumer; (e) information to be released for insurance rate advisory organizations and other applicable rating agencies; (f) information to be released as required by various Federal and State laws, including the Right to Financial Privacy Act of 1978 and the Fair Credit Reporting Act; (g) information to be released in connection with sale, merger, transfer, or exchange of the financial institution; and (h) information to be released to identify or locate missing and abducted children, witnesses, criminals and fugitives.

The proposed ordinance would also establish civil remedies and penalties for violations of the provisions of the proposed San Francisco Financial Information Privacy Ordinance of 2002, which would become operative January 1, 2004. Any financial institution that violates the terms of this proposed ordinance would be liable for

an administrative fine or civil penalty to be imposed by the City not to exceed the following amounts:

- $2,500 for negligently disclosing or sharing confidential consumer information, upon the first violation;
- $2,500 for knowingly and willfully obtaining, disclosing or using confidential consumer information, upon the first violation;
- $10,000 for knowingly and willfully obtaining, disclosing or using confidential consumer information, upon the second violation;
- $25,0000 for knowingly and willfully obtaining, disclosing or using confidential consumer information, upon the third or subsequent violation;
- $5,000 for knowingly and willfully obtaining, disclosing or using confidential consumer information for financial gain;
- $25,000 for knowingly and willfully obtaining, disclosing or using confidential consumer information for financial gain, upon the second violation; and
- $250,000 for knowingly and willfully obtaining, disclosing or using confidential consumer information for financial gain, upon a third or subsequent violation.

Comments:

1. According to Mr. Dorji Roberts of the City Attorney's Office, the proposed ordinance is modeled after Senate Bill 773, as amended in the California Senate on September 6, 2001. Senate Bill 773 failed to pass the Assembly on August 31, 2002.

2. Mr. Roberts explains that the proposed ordinance does not specify which City official(s) would be responsible for the assessment and enforcement regarding the provisions of the ordinance pertaining to civil remedies and penalties. Mr. Roberts could not provide any estimates of (a) the penalties which might be realized by the City and (b) the related administrative costs to enforce the proposed ordinance.

3. Mr. Roberts has advised the Budget Analyst that the Sponsor may introduce an Amendment of the Whole at the Committee meeting. As of the writing of this report,

such amendments were not available and therefore have not been addressed in this report.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 9 - File 02-1667

Department: Controller

Item: Resolution establishing the City and County's Appropriations Limit for FY 2002-2003 pursuant to Article XIII B of the California Constitution.

Description: The proposed resolution would establish $1,751,554,849 as the FY 2002-2003 adjusted Appropriations Limit for the City and County of San Francisco as required by Article XIII B of the California Constitution.

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Article XIII B limits the growth of appropriations from the proceeds of taxes of the State of California and local governments to the percentage change in population for the local governmental entity and the percentage change in the cost of living. The California Government Code requires that each local government establish its Appropriations Limit by resolution each year.

State Proposition 111, approved by the voters in June 1990, made several changes to Article XIII B (9) which are reflected in the City's computations. First, Proposition 111 redefined *change in the cost of living* as follows:

> *"Change in the cost of living" for an entity of local government, other than a school district or a community college district, shall be either (A) the percentage change in California per capita personal income from the preceding year, or (B) the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction. Each entity of local government shall select its change in the cost of living pursuant to this paragraph annually by a recorded vote of the entity's governing body.*

According to the State Department of Finance, the percentage change in California per capita personal income as of January of 2002 as compared to January of 2001 results in a 1.27 percent decrease. The Assessor's Office advises that the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local

nonresidential new construction is 0.68 percent for FY 2002-2003 compared to FY 2001-2002. The proposed resolution specifies that the Appropriations Limit calculations pursuant to Article XIII B shall use the percentage change in the local assessment role due to non-residential new construction from the previous year as the measure of "*change in the cost of living*", rather than the percentage change from the preceding year in per capita income because the use of the change in per capita income would have resulted in a lower Appropriations Limit calculation.

Article XIII B permits an exclusion from appropriations subject to limitation for Voter-Approved indebtedness funded from the proceeds of taxes. Such Voter-Approved indebtedness funded from the proceeds of taxes for FY 2002-2003 totals $88,162,072 according to the Controller.

Article XIII B as amended by Proposition 111 also states that appropriations subject to limitation do not include *"appropriations required to comply with mandates of the Courts or the Federal Government".* In that regard, the Controller has identified that, for FY 2002-2003, $3,857,143 will be expended by City departments for costs related to toxic remediation required by the Federal Resource Conservation Act.

Article XIII B (9), as amended by Proposition 111, also permits an adjustment to exclude appropriations for *"Qualified Capital Outlay as defined by the legislature"* from proceeds of taxes. This results in a reduction of $15,844,155 for FY 2002-2003, from appropriations of proceeds of taxes subject to the limit for Capital Outlay.

The Controller has computed the FY 2002-2003 Appropriations Limit for the City and County of San Francisco as shown on the following page (percentages and computed amount have been rounded by the Controller):

FY 2001-2002 Gross Appropriations Limit	$1,717,059,535
<u>Adjusted by</u>:	
Increase in Cost of Living	0.68%
Increase in Population	1.32%
FY 2002-2003 Net Appropriations Limit	$1,751,554,849*

*1.0068 times 1.0132 equals 1.020090 times $1,717,059,535.

The Controller's Office monitors revenues subject to the Appropriations Limit throughout each fiscal year. At year-end, as part of the annual financial audit, a final computation is prepared comparing actual proceeds of taxes to the Appropriations Limit. At that time, two tests must be met. First, all actual proceeds of taxes must be below the Appropriations Limit; and second, all actual proceeds of taxes collected must be appropriated. If either test is not met, according to Article XIII B, excess revenues collected must be returned to the taxpayers within two years.

As calculated by the Controller, the amount appropriated in the City's FY 2002-2003 budget that is subject to the Appropriations Limit is $1,544,346,831 which is $207,208,018 less than the net FY 2002-2003 Appropriations Limit of $1,751,554,849. In accordance with the Administrative Provisions of the Annual Appropriation Ordinance, any FY 2002-2003 tax proceeds in excess of current estimates will be appropriated to the City's General Fund General Reserve, which is used as a revenue source (a) to fund supplemental appropriations during the current fiscal year, and (b) to fund the City's budget for the next fiscal year.

Recommendation: Approve the proposed resolution.

Item 10 - File 02-1668

Department:	Public Library Department of Administrative Services, Real Estate Division (RED)
Item:	Resolution authorizing the execution, delivery and performance of an Agreement of Purchase and Sale for Real Estate (along with all exhibits and schedules, the "Purchase Agreement"), between the City and County of San Francisco (the "City") as the Purchaser, and Ninth and Howard LLC, a California limited liability company as the Seller, (including certain indemnities contained therein), for the purchase of real property and improvements located at 190 9th Street, San Francisco, for use as the Support Services Center of the San Francisco Public Library; and adopting findings that the conveyance of the property and improvements is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1.
Location:	Assessor's Block No. 3509, Lot No. 008A 190 9th Street
Seller:	Ninth & Howard LLC, the property owner
Size:	A three story 42,292 square foot commercial building on a 17,000 square foot parcel
Purchase Price:	$8,500,000 for the real property and $60,000 for personal property, for a total purchase price of $8,560,000 or $202.40 per square foot (See Comment No. 2).
Source of Funds:	$8,500,000 from Proposition A Branch Library Facilities Improvement Bond Funds, and $60,000 from the Library Preservation Fund appropriated in the Public Library's FY 2002-2003 budget.
Description:	Approval of the subject resolution would authorize the Director of Property on behalf of the City to purchase 190 9th Street, a three story approximately 42,292 square foot building on 17,000 square feet of land from the Seller, Ninth & Howard, LLC for $8,560,000. The building

would be used as the Support Services Center of the Public Library.

The proposed resolution adopts the Planning Department's findings that the purchase of the subject property does not require California Environmental Quality Act (CEQA) review and is consistent with the General Plan and the Eight Priority Policies of Planning Code Section 101.1.

The proposed Purchase Agreement requires the City to assume an existing lease for a portion of the subject property. This lease is between Juma Ventures (Juma), a nonprofit organization, and the existing property owner, Ninth & Howard LLC. According to Ms. Carla Lieske of the City Attorney's Office, Ninth & Howard LLC and Juma will enter into a Termination Agreement as a condition of the Purchase Agreement, which would require Juma to vacate the subject property no later than 120 days after the close of escrow (see Comment No. 4). The proposed resolution specifies that any revenue generated from the assumption of the Juma Lease through rents paid by Juma to the City during the up to 120 days that Juma will continue to occupy this leased space would supplement the Proposition A Branch Library Facilities Improvement Bonds funds.

Comments:

1. According to Ms. Susan Hildreth of the Public Library, Proposition A Branch Library Facilities Improvement Bond Funds, approved by the voters in November of 2000, provided for a Support Services Center for the Technical Services Division of the Public Library which is responsible for receiving and processing new books and materials. Currently, the Library's Technical Services Division is located on the ground floor of the Main Library, in an approximately 15,200 square foot area. Ms. Hildreth states that an evaluation conducted by a consultant, Cynthia Ripley and Associates, in 1999 recommended that most non-public service functions of the Main Library be relocated to another facility outside of the Main Library in order to provide more space for public services within the Main Library. Attachment I to this report, provided by Ms. Hildreth, is a memorandum describing what the Support Service Center at 190 9th

Street would be used for and the Public Library's plans for the 15,200 square feet of space in the Main Library which the Technical Service Department would vacate.

The Budget Analyst notes that the Technical Services Division currently occupies approximately 15,200 square feet in the Main Library for use as a Support Service Center and the proposed building at 190 9th Street has 42,292 square feet of usable space, an increase of 27,092 square feet or 178.2 percent. According to Ms. Hildreth, a recent study, prepared by a consultant, Cy Silver, recommended 23,000 square feet for the functions of the Technical Services Division. The Public Library has retained a consultant, Florence Mason Associates, to analyze which services, in addition to the Technical Services Division, would also be moved to 190 9th Street from the Main Library. Ms. Hildreth states that Florence Mason Associates served as a subcontractor to Cynthia Ripley and Associates in the 1999 evaluation as described above.

The Budget Analyst notes that the 190 9th Street Building would have 42,292 square feet of space which is 19,292 square feet or 83.9 percent more than the 23,000 square feet for the Technical Services Division functions as has been recommended by the Public Library's own consultant. Ms. Hildreth believes there are enough non-public service library functions to fully occupy the 42,292 square feet of the subject property. As of the writing of this report, the Public Library had no specific detailed plans and no written reports as to how the excess space of 19,292 square feet would be utilized.

2. According to Mr. Michael Martin of the City Attorney's Office, General Obligation Bond proceeds cannot be used for the purchase of personal property and as a result the purchase price of $8,560,000 was separated into two components: (1) real property and (2) personal property. Ms. Hildreth states that the General Obligation Bonds authorized by Proposition A Branch Library Facilities Improvement Bonds in the amount of $105,865,000 ($23,300,000 was appropriated in the FY 2002-2003 budget of the Public Library) would fund $8,500,000 or

99.3 percent of the total purchase price of $8,560,000 for the real property component of the purchase price.

The remaining $60,000 would be funded by the Public Library's FY 2002-2003 operating budget from the Library Preservation Fund for the personal property component of the purchase price which includes work cubicles, office furniture, kitchen appliances, and other miscellaneous office supplies. According to Ms. Hildreth, the Public Library has evaluated the furnishings and equipment at the subject property and has determined that the furnishings and equipment meet the Public Library's needs. Attachment II to this report, provided by Mr. Charlie Dunn of the Real Estate Division of the Department of Administrative Services, provides additional details regarding the personal property consisting of furniture and equipment.

3. According to Mr. Dunn, on September 5, 2002, an independent appraiser engaged by the Department of Real Estate, Ricci and Associates conducted an appraisal of the 190 9th Street parcel and improvements. The appraiser valued the property, including the furniture and equipment at $8,560,000. Mr. Dunn states that the purchase price is consistent with the Real Estate Division's opinion of the fair market value of the subject property.

4. As previously noted, under the terms of the Purchase Agreement, the City would assume a lease with an existing tenant of Ninth & Howard LLC, Juma Ventures (Juma), a nonprofit organization that provides job employment assistance. The Agreement would allow Juma to continue renting 9,459 square feet of the ground floor at 190 9th Street for up to 120 days after the close of escrow at $19,706 per month, which is the same rent Juma has paid Ninth & Howard LLC. According to Ms. Hildreth, Juma is the only current lessee of the subject property. According to Mr. Dunn, a short term lease with Juma, the existing tenant, is necessary because Ninth & Howard LLC will not terminate its lease with Juma prior to the close of escrow and Juma will need time to relocate. Mr. Dunn notes that Juma's rent of $19,706 per month is above current market rates and consequently Juma has

an incentive to relocate. Additionally, the Purchase Agreement requires that $500,000 from the purchase price, payable to Ninth & Howard LCC, be retained by the City until Juma has vacated the property.

5. Attachment III to this report, provided by Mr. George Nichols of the Public Library, details the estimated ongoing annual operating costs of $196,366, the estimated one-time costs of $312,300, and the estimated facility improvement costs of $196,520, for a total first year cost of $705,186. Ms. Hildreth notes that the planned improvements, which would be completed either by the Department of Public Work's Bureau of Building Repair on an in-house basis or through a competitive bid process, would begin the Spring of 2003 and would be completed by the Summer of 2003. According to Ms. Hildreth, the Public Library's Technical Services Division would not move into 190 9th Street until July of 2003.

6. According to Mr. Nichols, the annual estimated operating costs of $196,366 include $86,000 for a half-time Stationary Engineer and a full-time Custodian. Mr. Nichols states that the operating costs would be funded by the Library Preservation Fund. However, because the property would not be ready for the Public Library to occupy until July of 2003, Mr. Nichols notes that the Public Library will request appropriation approval from the Board of Supervisors for operating costs in the FY 2003-2004 budget of the Public Library.

7. Mr. Nichols states that the planned improvements to the subject property would include converting the parking area and ground floor windows into a truck loading dock, at an estimated cost of $178,520, and modifying existing work stations at an estimated cost of $18,000, for a total improvement cost of $196,520. The Budget Analyst recommends that the proposed resolution include a not to exceed amount of $200,000 for the facility improvements, unless separate approval is obtained from the Board of Supervisors. Ms. Hildreth recommends a not to exceed amount of $250,000.

8. According to Mr. Nichols, the one-time moving and setup costs, estimated at $312,300, includes custodial

equipment ($6,300), the purchase of book trucks ($26,000), security system setup ($30,000) and telecommunications work ($250,000). Mr. Nichols states that the Public Library is in the process of verifying with the Department of Telecommunications and Information Services (DTIS) the cost estimate of $250,000 for one-time expenditures to obtain telecommunications work provided by the DTIS. The Budget Analyst recommends that the proposed resolution be amended to reserve $250,000 pending submission of a detailed budget from the DTIS.

Recommendations:

1. Amend the proposed resolution to include a not to exceed amount of $200,000 for the facility improvements without further Board of Supervisors approval. Ms. Hildreth recommends a not to exceed amount of $250,000.

2. Amend the proposed resolution to reserve $250,000 pending submission by DTIS of a detailed budget to the Finance Committee.

3. The Public Library's own consultant recommended a need of 23,000 square feet for the proposed Support Services Center. The proposed acquisition of 190 9th Street, which has 42,292 square feet of space, is 19,292 square feet or 83.9 percent more space than the 23,000 square feet recommended by the Public Library's own consultant and is 178.2 percent more space than the 15,200 square feet of space currently used by the Technical Services Division in the Main Library for a Support Service Center. Further, as of the writing of this report, the Public Library had no detailed plan and no written report as to how the excess space, consisting of 19,292 square feet, would be utilized. Therefore, the Budget Analyst considers approval of the proposed resolution, as amended, to be a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Attachment I

San Francisco Public Library
100 Larkin Street, San Francisco, CA 94102

October 9, 2002

To: Elaine Forbes, Budget Analyst
Budget Analyst's Office

From: Susan Hildreth, City Librarian SH

Re: 190 9th St.

Uses of 190 9th St.
190 9th St. will be used primarily to provide space for the Technical Services Department of the San Francisco Public Library. This department is responsible for ordering, cataloging and preparing for circulation all the materials that are acquired by the Library. The Collection Development Department, responsible for selecting all materials that are ordered by the Library, will also be housed in 190 9th St. We anticipate locating the Library's materials distribution clearinghouse function there, where materials from all library locations are sorted for delivery to other locations, as materials requested by users move throughout the library system on a daily basis. We are currently working with library consultant Florence Mason, who worked on the Post Occupancy Evaluation of the Main Library, in identifying other appropriate non-public departments that can be relocated from the Main Library to 190 9th St.

Technical Services Current Location
Currently, the Technical Services Department is on the first floor of the Main Library and occupies 15,200 square feet. The space is cramped, was not designed for this department and does not provide an ergonomically-correct environment for these functions. A recent space study of Technical Services recommends 23,000 square feet for all these functions.

Reutilization of Technical Services Space in Main Library
The Post Occupancy Evaluation (POE) recommended that Technical Services be relocated from the first floor of the Main Library, with the resulting available space being used for public space. When Technical Services has relocated, the Library plans to make that space available for Main Library use. We anticipate moving parts of collections from other floors in the Main Library to the 1st floor, primarily all fiction and large-print Department. The source of funds for these proposed modifications will be the Library Improvement Fund, which is comprised primarily of unspent bond money and interest from the Main Library bond as well as funds from litigation settlements from the Main Library construction.

Attachment II

City and County of San Francisco

Real Estate Division
Department of Administrative Services

MEMORANDUM

October 10, 2002

TO: Elaine Forbes
Budget Analyst

FROM: Charlie Dunn
Real Estate Division

C Dunn

SUBJECT: **Personal Property at 190 9th Street**

As we discussed, the personal property was delineated from the purchase price only to meet the City's bond fund requirements (bond funds can not be used for the purchase of personal property or services).

The City will be receiving at close of escrow the 4 pages of personal property attached to the Purchase and Sale Agreement as Exhibit B. While the Real Estate Division is not directly involved in City office furniture purchasing, over the past 12 years, I have been involved in multiple lease transactions where the departments have bought new furniture to be installed. It is not uncommon for a base 6' x 8' workstation costing $2,500-3000 to actually cost the City $4,000-5,000 each when Sales Tax, Delivery, Installation, Chair, File Cabinet, Task light and conference room furniture are included.

190 9th St. contains more than 80 workstations, 6 offices of furniture and 3 conference rooms full of quality furniture.

Calculating on only the 86 workstations and offices and thus giving no value to the conference room and other items, the $60,000 works out to be approximately $700 per station and office. Using 8.25% sales tax ($58) and $350 for installation, **the net price is less than $300 for a full workstation and/or office.**

In addition to the above per unit value, by having the existing workstations already wired, the City will be saving substantial moneys on telephone, data, and electrical costs. Ms. Flash Gordon of DTIS has inspected the property and estimates the data and telephone cost savings to the City **at more than $50,000.**

Please call me if you have questions at 554-9861.

CD/wp/54/5482/190 9TH/furniture cost

(415) 554-9850
FAX: (415) 552-9216

Office of the Director of Property
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

Attachment III

10/7/2002 COST ESTIMATE 190 - 9th STREET

CATEGORY	ITEM	FTE	Estimated Cost	Notes
Staffing	Stationary Engineer	0.50	$ 39,520	Based on mid-step as of 7/1/02
	Custodian	1.00	$ 29,965	Based on mid-step as of 7/1/02
	Fringe Benefits	0.00	$ 16,701	
	SUBTOTAL	1.50	$ 86,186	
Utilities	Gas, electric, water		$ 43,480	Based on 25 Van Ness. $0.97/sf.
	Scavenger service		$ 12,000	
	Sewer/water		$ 7,500	
	SUBTOTAL	0.00	$ 62,980	
Equip. Maint.	HVAC		$ 8,000	
	Elevators		$ 7,000	
	Security system		$ 4,500	
	Fire/Life safety system		$ 3,000	
	SUBTOTAL	0.00	$ 22,500	
Bldg. Maint.	Window cleaning		$ 4,000	
	Pest Control		$ 3,000	
	SUBTOTAL	0.00	$ 7,000	
Mat. & Supplies	Carpetnry		$ 4,000	
	Plumbing		$ 2,000	
	Painting		$ 1,200	
	Hardware		$ 2,500	
	Lighting		$ 4,000	
	Custodial		$ 4,000	
	SUBTOTAL	0.00	$ 17,700	
	TOTAL ONGOING	1.50	$ 196,366	
One-Time Costs	Equipment		$ 6,300	3 Hepavacs ($1,200); Carpet shampooer ($1,000); Carpet extractor ($1,000); Pressure washer ($2,000); 2 blowers ($600); wet dry vac ($500)
	One-time set-up (security monitoring)		$ 30,000	
	Book Trucks		$ 26,000	
	Telecommunications		$ 250,000	Funded by Branch Library Improvement Bond Funds budgeted for relocation..
	SUBTOTAL ONE-TIMES	0.00	$ 312,300	
	TOTAL, FIRST YEAR COSTS	1.50	$ 508,666	
Tenent Imprv.	Loading dock - mechanical lift		$ 178,520	
	Modification of Workstations		$ 18,000	
	SUBTOTAL, TI	0.00	$ 196,520	Funded by Library Imrpovement Fund
	GRAND TOTAL	1.50	$ 705,186	

FILENAME =190 9TH STREET OPERATIONS COSTS

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Clerk: Gail Johnson

Wednesday, November 06, 2002 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Sophie Maxwell.

MEETING CONVENED

The meeting convened at 11:46 a.m.

021647 **[Federal grant funds of $9,375,000 for building the South Basin Bridge in San Francisco]**
Supervisor Maxwell

Resolution authorizing the Director of Public Works to accept and expend $9,375,000 in federal Transportation Equity Act for the 21st Century (TEA21) Demonstration Funds with required local matching funds of $2,344,000 to undertake environmental studies related to the feasibility of building the South Basin Bridge in the City and County of San Francisco.

(Fiscal impact; No Public Benefit Recipient.)

9/30/02, RECEIVED AND ASSIGNED to Public Works and Public Protection Committee.

10/4/02, TRANSFERRED to Finance Committee.

10/16/02, CONTINUED. Heard in Committee. Speakers: Stanley Muraoka, Project Manager, Redevelopment Agency; Don Capobres, Senior Project Manager, Redevelopment Agency; Tina Olson, Department of Public Works; Harvey Rose, Budget Analyst, Continued to 11/6/02.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Tina Olson, Department of Public Works.
Amended as follows:
On page 1, lines 6 and 24, by replacing "$2,344,000" with "$2,343,750;"
On page 1, line 7, after "San Francisco," by adding "provided that no general fund monies will be allocated to the project; placing $7,497,891 on reserve;"
On page 2, by adding the following Further Resolved clauses:
"FURTHER RESOLVED, That no general fund monies will be used to provide a local match to this grant or to construct the final project, and, be it
"FURTHER RESOLVED, That funds in the amount of $7,497,891 are hereby placed on reserve, pending completion of the preliminary environmental study, to be released by the Finance Committee."

AMENDED.

Resolution authorizing the Director of Public Works to accept and expend $9,375,000 in federal Transportation Equity Act for the 21st Century (TEA21) Demonstration Funds with required local matching funds of $2,343,750 to undertake environmental studies related to the feasibility of building the South Basin Bridge in the City and County of San Francisco, provided that no general fund monies will be allocated to the project; placing $7,497,891 on reserve.

(Fiscal impact; No Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Daly, Maxwell

020994 **[Approve expenditure of funds for emergency contract CW-336E]**

Supervisor Gonzalez

Resolution approving the expenditure of funds for emergency contract CW-336E in the amount of $441,000 to replace variable frequency drives for main lift pumps at the Southeast Water Pollution Control Plant. (Public Utilities Commission)

(Fiscal impact; No Public Benefit Recipient.)

9/25/02, RECEIVED AND ASSIGNED to Finance Committee.

10/16/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Jon Loiacono, Manager, Environmental Engineering for Water Pollution Control, Public Utilities Commission; Theodore Lakey, Deputy City Attomey; Edward Harrington, Controller.

Continued to 11/6/02.

Heard in Committee. Speakers: Theodore Lakey, Deputy City Attorney; Cheryl Davis, Assistant General Manager of Operations, Water Department.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021667 **[Fiscal Year 2002-03 California Constitution Appropriations Limit]**

Resolution establishing the appropriations limit for Fiscal Year 2002-03 pursuant to California Constitution Article XIII B. (Controller)

(No Public Benefit Recipient.)

10/2/02, RECEIVED AND ASSIGNED to Finance Committee.

10/16/02, CONTINUED. Speakers: None.

Continued to 11/6/02.

Heard in Committee. Speakers: Monique Zmuda, Deputy Controller; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

021671 **[Reserved Funds, Board of Supervisors]**

Hearing to request release of reserved funds, Board of Supervisors fiscal year 2002-03 budget, in the amount of $318,000 for the continuation of the Official Advertising contract with the San Francisco Independent for the period January 1, 2003 through June 30, 2003. (Board of Supervisors)

11/6/02 - Supervisor Daly Dissenting in Committee

9/27/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Gloria Young, Clerk of the Board. Release of reserved funds in the amount of $288,200 approved.

APPROVED AND FILED by the following vote:

Ayes: 2 - Peskin, Maxwell

Noes: 1 - Daly

021773 **[Accept-Expend State Grant - $1,000,000]**

Supervisors Peskin, Daly

Resolution authorizing the San Francisco Port Commission to accept and expend grants in the total amount of One Million Dollars ($1,000,000) from the California Coastal Conservancy, the Association of Bay Area Governments San Francisco Bay Trail Project, the California Transportation Commission Environmental Enhancement and Mitigation Program and the State of California Wildlife Conservation Board for the Ferry Terminal Public Pier Project.

(No Public Benefit Recipient.)

10/21/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Dan Hodapp, Port; Harvey Rose, Budget Analyst.
Supervisor Daly added as co-sponsor.

RECOMMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021774 **[Accept-Expend State Grant - $500,000.00]**

Supervisor Peskin

Resolution authorizing the San Francisco Port Commission to accept and expend a federal grant in the amount of $500,000.00 from the Federal Transportation Security Administration to fund the Port's security assessment efforts.

(No Public Benefit Recipient.)

10/21/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Taline Sanassarian, Port.

RECOMMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021715 **[Lease of Real Property]**

Resolution authorizing a new lease of real property at 1305 and 1309 Evans Avenue on behalf of the Department of Public Health, Children's System of Care and Family Mosaic. (Real Estate Department)

(Public Benefit Recipient; District 10.)

10/9/02, RECEIVED AND ASSIGNED to Finance Committee.

10/25/02, REFERRED TO DEPARTMENT. Referred to Youth Commission for comment and recommendation.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst.

RECOMMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021716 **[Airport $3.5 Million Federal Grant]**

Resolution authorizing the Airport Commission to accept and expend grant funds in the amount of $3,503,877.00 from the U. S. Department of Transportation's Federal Aviation Administration for the purpose of reimbursing airports for extraordinary operating costs incurred as a result of the events of September 11, 2001 as authorized by the Aviation and Transportation Security Act of 2001. (Airport Commission)

(Public Benefit Recipient.)

10/9/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cathy Widener, Airport; Kevin Kone, Airport; Ben Rosenfield, Mayor's Budget Office.

RECOMMENDED.. by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

ADJOURNMENT

The meeting adjourned at 1:33 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST
1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

October 31, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: November 6, 2002 Finance Committee Meeting

Item 1 – File 02-1647

Note: This Item was continued by the Finance Committee at its meeting of October 16, 2002.

Department: Department of Public Works (DPW)
San Francisco Redevelopment Agency (SFRA)

Item: Resolution authorizing the Director of the Department of Public Works to accept and expend $9,375,000 in Federal Transportation Equity Act for the 21st Century (TEA21) Demonstration Funds with required local matching funds of $2,344,000 to undertake environmental studies related to the feasibility of building the South Basin Bridge in the City and County of San Francisco.

Grant Amount: $ 9,375,000

Grant Period: October 1, 2001 to September 30, 2011 (10 years, See Comment No. 5)

Source of Funds: U.S. Department of Transportation, Federal Highway Administration (FHWA)

Required Match: 20% or $2,343,750 from the SFRA (See Comment Nos. 3 and 6)

Indirect Costs: Indirect costs are not allowed by the granting agency.

Project: South Basin Bridge Project

Description: The proposed resolution would authorize the Director of the Department of Public Works (DPW) to accept and expend $9,375,000 of FHWA Demonstration Funds for the undertaking of environmental studies related to the feasibility of building the South Basin Bridge. As shown in the map in Attachment I provided by Ms. Tina Olson of the Department of Public Works, the South Basin Bridge is proposed to be located between Candlestick Point and Hunters Point, with an exact location to be determined after the environmental studies are completed. The San Francisco Redevelopment Agency (SFRA) would provide the required 20 percent local matching funds in the amount of $2,343,750 over the four-year life of the environmental studies, for a total project budget of $11,718,750.

The environmental studies related to the feasibility of building the South Basin Bridge would be conducted using the subject grant funds, of $9,375,000, together with the local match of $2,343,750, for a total project cost of $11,718,750. The project would include a formal environmental review process required by State and Federal law that would produce an Environmental Impact Report (EIR) and an Environmental Impact Statement (EIS). Such environmental studies would also include a water habitat study, a hazardous-materials study, a location hydraulic study, a water quality study and a traffic study. Ms. Olson indicates that the environmental studies are expected to be completed by Fiscal Year 2005-2006. According to Ms. Olson, these environmental studies would be the initial phase of a larger project to design and construct the South Basin Bridge, which has an estimated total project cost ranging between $110 million to $150 million, according to the DPW.

Ms. Olson advises that the South Basin Bridge would provide a more direct route to access Hunters Point Shipyard from Highway 101, in order to induce commercial development as well as support revitalization of the Shipyard. The South Basin Bridge would also redirect truck traffic away from local residential streets, according to Ms. Olson. The Bridge is intended to also accommodate the future extension of the Municipal Railway's 3rd Street Light Rail Project to the Shipyard. As noted above, the entire South Basin Bridge Project, including the costs for the proposed environmental studies, has a total estimated budget ranging between \$110 million to \$150 million. Ms. Olson advises that funding sources to construct the Bridge have not been identified as of the writing of this report.

Budget:

Attachment II, provided by the DPW, contains the budget for the South Basin Bridge Project environmental studies totaling \$11,718,750, including \$9,375,000 in subject Federal grant funds and \$2,343,750 in SFRA matching funds.

Comments:

1. As shown in Attachment II, provided by Ms. Olson, DPW intends to spend an estimated \$9,372,364, out of the total project budget of \$11,718,750, on environmental consultant contracts to conduct the necessary environmental studies. Ms. Olson advises that DPW plans to issue a RFP/RFQ in December of 2002, select a consultant during the Summer of 2003 and award a contract to a consultant by October of 2003, or in approximately one year from now. According to Ms. Olson, the selected consultant may sub-contract some of the specific studies to other firms. As noted above, the environmental studies are anticipated to be completed in FY 2005-2006.

The Budget Analyst notes that since the RFP/RFQ has not yet been issued, the DPW cannot identify the prime and sub- consultants that will be selected, the hourly rates or the total cost of the consultant contracts. Therefore, the Budget Analyst recommends that \$9,372,364 for the outside consultant contracts be placed on reserve by the Finance Committee pending identification of the actual consultants and submission to the Finance Committee of total costs including estimated

hours and hourly rates. Ms. Olson disagrees with this recommendation because she states that the City's process for reviewing and approving consultant contracts already provides for extensive oversight including: (1) HRC review and approval the RFP; (2) Civil Service Commission review and approval of the proposed use of consultants; (3) the entire consultant selection process is overseen by HRC; and (4) the final contract is reviewed and approved by the Department Head, the Purchaser, the City Administrator and the City Attorney. Further, Ms. Olson states that for Federally funded transportation projects such as this project, Caltrans also performs a pre-award audit of the consultants' rates and internal controls and must approve the consultant contracts. According to Ms. Olson, because of the extensive City and Caltrans review and approval process for these consultant contracts, DPW estimates that it will take one year to have a consultant team on board for this project. Thus, Ms. Olson advises that it seems unnecessary to have the Board of Supervisors also review the consultant contracts.

2. As detailed in Attachment II, DPW will expend an estimated $2,346,386 to fund in-house DPW staff to initially develop the RFP/RFQ and then to oversee and support the consultant's activities in relation to the environmental studies.

3. The proposed grant requires a 20 percent match, or $2,343,750, of the total project costs of $11,718,750. According to Ms. Olson, the SFRA included $180,000 of such local matching funds for the South Basin Bridge Project in the SFRA's FY 2002-2003 budget, as previously approved by the Board of Supervisors. This leaves a remaining local match balance of $2,163,750 ($2,343,750 total match required less $180,000 budgeted in FY 2002-2003). According to Mr. Don Capobres of the SFRA, and as shown in Attachment II, the SFRA intends to provide matching funds averaging $721,250 per year for three additional fiscal years (Fiscal Years 2003-2004 through 2005-2006), or a total of $2,163,750 from (a) proceeds from the sale of land at the Hunters Point Shipyard, (b) grants funds and (c) developer contributions. However, as of the writing of this report, Mr. Capobres cannot identify the

specific funding sources for the remaining local match requirement of $2,163,750.

4. Ms. Olson reports that the Board of Commissioners of the San Francisco County Transportation Authority placed the South Basin Bridge Project on its Project Priorities List and approved the South Basin Bridge Project for incorporation into the 2001 Regional Transportation Plan of the Metropolitan Transportation Commission for the nine-county San Francisco Bay Area.

5. Attachment III, provided by the DPW, is the Department's Grant Information Form, including the Disability Access Checklist. Attachment III indicates a start date of October 1, 2001. However, Ms. Olson advises that the California Department of Transportation (Caltrans), the grant pass-through agency, only approved the subject grant amount on September 11, 2002 and DPW has until September 30, 2011 to expend the subject grant funds, or a period of over nine years. Ms. Olson also advises that none of the subject grant funds have been accepted or expended to date.

6. Ms. Olson advises that the proposed resolution incorrectly states that the required local matching funds are $2,344,000. As shown in Attachment II, the required local matching funds are $2,343,750. Therefore, the proposed resolution should be amended to reflect the correct amount of matching funds.

7. Given (1) that the subject Federal grant of $9,375,000 requires a 20 percent local match of $2,343,750, with no identification of specific funding sources except for $180,000 and (2) that the entire South Basin Bridge Project has a total estimated project cost ranging between $110 million to $150 million, for which funding sources have not yet been identified, the Budget Analyst considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

8. At the request of the Finance Committee, Ms. Olson has submitted a memorandum (Attachment IV) which provides additional information on the South Basin Bridge Project and which reports on cost estimates for the

environmental studies obtained from the following three consultants: Jones and Stolk, Enviro Solutions and Environmental Science Associates (ESA). Ms. Olson reports that the three cost estimates ranged from a low of $2.6 million to a high of $15 million. Ms. Olson concludes that, "In summary, we are confident that we will be able to fund the required local match of $2,343,750 with non-General Fund sources. It is unclear how much we will eventually need to complete the EIR/EIS/PE phase of the South Basin Bridge project since various environmental review and project management professionals have estimated it will cost between $2.6 to $15 million. However, it seems likely to be at least 5% of the projected total project cost or $5.5 to $7.5 million. If the environmental review phase is less than the estimated $11,718,650, we will re-program the balance of the grant to the subsequent project phases of detailed design and construction. We will award a consultant contract up to a maximum of $9,372,364 but will issue task orders for each project scope/phase that has a negotiated budget with consultant staff assignments, hours and hourly rates. In that way, we can better manage the costs of the environmental review and minimize the use of both the federal grant and local matching funds for this phase of the project."

9. Given that the new cost estimates obtained by Ms. Olson for the environmental consultant services have a significant range of $2.6 million to $15 million, the Budget Analyst again recommends that the $9,372,364 for such outside consultant services be reserved pending submission to the Finance Committee of the final cost details pertaining to the consultant contracts after the consultants have been selected by the DPW.

Recommendations:

1. In accordance with Comment Nos. 1 and 9, amend the proposed resolution by reserving $9,372,364 for the environmental consultant contracts pending identification of the outside consultants and submission to the Finance Committee of total costs, including estimated hours and hourly rates. As noted previously, Ms. Olson disagrees with this recommendation because she states that the City's process for reviewing and approving consultant contracts already provides for extensive oversight including: (1) HRC review and approval the RFP; (2) Civil

Service Commission review and approval of the proposed use of consultants; (3) the entire consultant selection process is overseen by HRC; and (4) the final contract is reviewed and approved by the Department Head, the Purchaser, the City Administrator and the City Attorney. Further, Ms. Olson states that for Federally funded transportation projects such as this project, Caltrans also performs a pre-award audit of the consultants' rates and internal controls and must approve the consultant contracts. According to Ms. Olson, because of the extensive City and Caltrans review and approval process for these consultant contracts, DPW estimates that it will take one year to have a consultant team on board for this project. Thus, Ms. Olson advises that it seems unnecessary to have the Board of Supervisors also review the consultant contracts.

2. In accordance with Comment No. 6, amend the proposed resolution by substituting $2,343,750 for $2,344,000 on page 1, line 6 and line 24.

3. In accordance with Comment No. 7, approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

Attachment I

South Basin Bridge Project

Total Federal Grant	$9,375,000
Local Match @ 20%	2,343,750
Total	11,718,750

Cash Flow Analysis:

EIR/Planning/PE/Design	Total	Fed	Local
2002-03	$900,000	$720,000	$180,000
2003-04	3,606,250	2,885,000	721,250
2004-05	3,606,250	2,885,000	721,250
2005-06	3,606,250	2,885,000	721,250
	$11,718,750	$9,375,000	$2,343,750

South Basin Bridge Project--Environmental Phase
Engineer's Estimate of Costs for Environmental Analysis

Total Federal Grant	9,375,000
Local Match @ 20%	2,343,750
Total	$11,718,750

Environmental Consultant Contracts	**$9,372,364**
Environmental Review (EIR/EIS/CEQA/NEPA)	
Cultral Resources Study(Historic Preservation)	
Water Habitat Study	
Hazardous Materials Study and Investigations	
Location Hydraulic Study	
Natural Environment Study (Water Quality)	
Traffic Study	
DPW Staff Costs	**$2,346,386**

DPW Staff Costs

Project Management	**Classification**	**Hourly Rate**	**Hours**	**Extension**
Project Manager III	5506	$155	10,376	$1,603,481
Manager Regulatory Affairs	9398	122	2,283	277,795
Senior Clerk Typist	1426	59	156	9,263
Engineering				-
Civil Engineer	5241	121	1,556	188,828
Assistant Civil Engineer	5203	88	726	64,155
Civil Engineer Associate I	5364	74	311	22,934
Site Assessment Remediation (Chemist)	2488	107	726	77,604
Surveys				50,000
Student Intern	5382	54	792	43,063
Senior Clerk Typist	1426	59	156	9,263
Total DPW Staff Costs				**$ 2,346,386**

NOTES:

1. *Preliminary Total Project Cost is between $110 to $150 million for this project.*

2. *Hourly Rates are based on the current FY02-03 rate and does not account for inflation*

File Number: ______________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Transportation Equity Act for the 21st Century Demonstration Funds (Demo Funds)

2. Department: Public Works

3. Contact Person: Tina Olson Telephone: 554-4830

4. Grant Approval Status (check one):

   X Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: $ 9,400,000

6a. Matching Funds Required: $ 2,350,000
 b. Source(s) of matching funds (if applicable): SFRA funds

7a. Grant Source Agency: U.S. Department of Transportation, Federal Highway Administration (FHWA)
 b. Grant Pass-Through Agency (if applicable): California Department of Transportation (Caltrans)

8. Proposed Grant Project Summary:

   South Basin Project

   Project Limits:

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start-Date: October 1, 2001 End-Date: September 30, 2011

10. Number of new positions created and funded: -0-

11. If new positions are created, explain the disposition of employees once the grant ends?

12a. Amount budgeted for contractual services: $9,375,000

 b. Will contractual services be put out to bid? Yes

 c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? Yes

d. Is this likely to be a one-time or ongoing request for contracting out? One-time

13a. Does the budget include indirect costs? [ ] Yes [X] No

b1. If yes, how much? $
b2. How was the amount calculated?

c. If no, why are indirect costs not included?
[X] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

Disability Access Checklist*

15. This Grant is intended for activities at (check all that apply):

[X] Existing Site(s) [ ] Existing Structure(s) [ ] Existing Program(s) or Service(s)
[ ] Rehabilitated Site(s) [ ] Rehabilitated Structure(s) [ ] New Program(s) or Service(s)
[ ] New Site(s) [ ] New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments: Included in the scope of work will be the installation of new curb ramps in accordance with the Federal Americans with Disability Act (ADA).

Departmental or Mayor's Office of Disability Reviewer:____________________
Kevin Jensen

Date Reviewed:______________

Department Approval: Edwin M. Lee ____________________ Director of Public Works

____
(Signature)

City and County of San Francisco

Willie Lewis Brown, Jr., Mayor
Edwin M. Lee, Director

Phone: (415) 554-6920
Fax: (415) 554-6944
TDD: (415) 554-6900
http://www.sfdpw.com

Department of Public Works
Finance and Budget Division
City Hall, Room 340
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4645
Tina Olson, Division Manager

Memorandum

Date: October 30, 2002

To: Supervisor Peskin, Chair, Finance Committee
Supervisor Daly, Vice Chair
Supervisor Maxwell

From: Tina Olson, Department of Public Works (DPW)
Don Capobres, San Francisco Redevelopment Agency (SFRA)

Subject: South Basin Bridge – Environmental Impact Report/Environmental Impact Statement/Preliminary Engineering (EIR/EIS/PE) Cost Estimates and Match Sources to the Grant

As requested, the following is a summary of (1) potential local match sources to the South Basin Bridge project's $9.4 million federal grant and (2) discussions with environmental review consultants and other professionals in the environmental review field on the estimated cost to complete the EIR/EIS/PE phase of the South Basin Bridge project.

Overview of $9.4 Million Federal Grant

The $9.4 million federal grant is an earmark that the City received in 1998 for the South Basin Bridge project. The City must obligate the $9.4 million federal grant for the South Basin Bridge project before September 30, 2003 or lose the grant funds. Since the City doesn't have an approved EIR/EIS report on the project, the City must obligate the entire $9.4 million grant for environmental review. If the City uses less than the $9.4 million grant on the environmental review phase and there is a viable project, we will re-program the balance to the subsequent project phases: detailed design and construction.

The $9.4 grant for the South Basin Bridge will be provided on a reimbursement basis. Since Caltrans will not provide a lump sum payment, the Agency is not required to provide the entire local match up front. This method of reimbursement allows for the project and related local match requirements to grow over time. At this time, we expect to

complete the EIR/EIS document in four years. Thus, we will drawdown the grant and matching funds required for the environmental review over the next four years.

We plan on managing the environmental review consultant contract through task orders. That is, we will award a consultant contract up to a maximum of $9,372,364 but will issue task orders for each project scope/phase that has a negotiated budget with consultant staff assignments, hours and hourly rates. In that way, we can better manage the costs of the environmental review and minimize the use of both the federal grant and local matching funds.

Hunters Point Shipyard - Background

The Shipyard is divided into six parcels (parcels A through F). Generally, the Navy's cleanup and transfer process moves from the northernmost portions of the base to the southernmost, beginning with the 88-acre Parcel A.

Designed to match the sequencing of the Navy's cleanup and conveyance process, negotiations with the Primary Developer, Lennar BVHP ("Lennar"), are currently focused on portions of the Shipyard which is anticipated to be conveyed to the City. The first phase of development ("Phase I") is anticipated to include those portions of parcels A and B that are geographically furthest away from the ongoing cleanup of adjacent Parcels. The development plans for Phase I include a range of uses, with an emphasis on residential and mixed-use development. The Agency expects to commence negotiations with the Developer on the next phase of development ("Phase II") in 2003. Phase II will likely focus on areas of the Redevelopment Plan that represent the greatest job generating potential: light industrial and research and development areas in Parcel D and remaining portions of Parcels A and B. With the bulk of the anticipated 10,000 jobs generated in these areas, there is a strong linkage between this Phase II and the proposed bridge.

Local Match Sources

Developer Contribution – To date, negotiations with the Primary Developer have centered primarily on the residential and mixed-use phases of development. As discussed above, the Agency anticipates entering into negotiations with the Lennar for the light industrial and research and development portions of the Shipyard in the upcoming year. For these uses to succeed at the Shipyard, the bridge is critical. Lennar's participation in the local match requirement will be part of these negotiations. Under the terms of Exclusive Negotiations Agreement, Lennar is required to fund the City and Agency's costs related to the transfer of property from the Navy and for costs associated with the Lennar negotiations for future development. To date, Lennar has funded over $4 million of the City's costs. These funds pay for City and Redevelopment Agency staff time and consultants.

Grants - The Agency, working in conjunction with the City, will pursue applicable grants.

Tax Increment - An important tool given to cities under Redevelopment Law is the ability to generate tax increment funds in adopted Redevelopment Project Areas. We expect the Navy to transfer the property to the City during the first half of 2003 and anticipate development to follow soon thereafter after which discretionary tax increment becomes a viable local match source towards the latter stages of the proposed environmental review and preliminary engineering process. The implementation plan for the Shipyard currently envisions an infusion of bond proceeds from issues supported by lease revenue or by tax increment during years three and five of the overall Shipyard project. Although the estimates are in the process of being revised to fit the current phasing and development concepts, the implementation plan indicates bond proceeds ranging from $12 to $20 million during the first five years of project implementation.

Conclusion – Local Match Sources

The reimbursement-based structure of the South Basin Bridge federal grant allows the City and Agency to ramp up the environmental analysis and preliminary engineering. As a result, the local match can be relatively small at project implementation and increase as more information is received and more clarity is provided in terms of project scope. This structure fits with the available progressive nature of the funding resources at the Shipyard. As the bridge project moves forward, the Agency will have increasing sources of revenue from which to draw the local match. If the project proceeds as envisioned, these sources can be significant.

Environmental Review Phase – Cost Estimates

Preliminary Engineering

An EIR/EIS requires preliminary engineering of all of the alternatives to properly evaluate the environmental impacts as well as to develop accurate construction cost estimates. Such preliminary engineering can take a project design to 30% complete. Thus, the cost to perform these preliminary engineering studies will depend on the number of alternatives we will evaluate. At this time, we anticipate evaluating three alternatives: one short span bridge; one long span bridge; and one go around as well as a no build option. We could evaluate three types of bridge designs for the two bridge span alternatives for a possible total of six bridge alternatives that, under NEPA, would require the same level of engineering and analysis.

Environmental Studies

Paul Maltzer from City Planning Environmental Review Division, Frank Filice from DPW's Environmental Review Office, Mike Davis from Jones and Stolks, Rebecca Kohstrand from Enviro Solutions all said that this review will be very complicated because its in a wetland area near a contaminated area at the Bayview Hunters Point Shipyard. Regulatory agencies such as the Water Quality Control Board, the Army Corps of Engineers and the Bay and Coastal Development Commission will require extensive analysis of run-off and run-off control, wetland analyses, and fishing issues.

Consultants and Project Managers' EIR/EIS/PE Studies Cost Estimating Methodologies

According to George Wong from the City Attorney's Office we can only ask consultants for a cost estimate for the EIR/EIS/PE if they aren't going to submit a proposal because it could be perceived as favoring one firm over another in the consultant selection process. All of the consultants that we contacted wanted to retain the option to submit a proposal. (Jones and Stolk, Enviro Solutions, and Environmental Science Associates (ESA).) However, we asked some consultants and project managers to provide a basis for estimating the cost of an EIR/EIS/PE study for this type of project. The following is a summary of those conversations.

Mike Davis of Jones and Stolks said that the cost for an EIR/EIS/PE for this type of transportation project range between 6% to 10% of the total project cost depending on whether the analysis includes extensive engineering. The South Basin Bridge project is currently estimated to cost between $110 to $150 million. Thus, using this methodology, the South Basin Bridge EIR/EIS/PE could cost between $6.6 million to $15 million. We anticipate conducting somewhat extensive engineering to complete the proposed EIR/EIS/PE. Lee Saage, the Doyle Drive project manager, states that EIR/EIS/PE costs for transportation projects cost between 3% and 5% of the total construction cost depending on the level of complexity. Using this methodology, the South Basin Bridge EIR/EIS/PE could cost between $2.6 and $5.9 million. Rebecca Kohlstrand from Enviro Solutions advises that we should budget 9% to 10% for Preliminary Engineering and EIR/EIS/PE costs with 4% PE and 5% EIR/EIS/PE. Using this methodology, the cost would range from $10.8 million to $15 million. Peter Lee, the Metropolitan Transportation Commission's (MTC) Bridge Project Coordinator, states that these costs range between 5% and 7% of the total project cost for bridge projects. Finally, Mo Pazolki, Caltrans Project Manager for the Benicia Bridge project, advises that the South Basin Bridge EIR/EIS/PE could cost between $6.5 and $7.5 million. In summary, the estimates to conduct an EIR/EIS/PE study of the South Basin Bridge project provided by the various consultants and project managers range from a low of $2.6 million to a high of $15 million.

Costs of Other Transportation Projects' EIR/EIS/PE Studies

- Mid-Embarcadero Roadway - $6 million EIR/EIS/PE and $2 million detailed design -> final project cost = $65 million. EIR/EIS/PE as percent of total project = 9.2% which included extensive engineering. (12.3% for EIS/EIR/PE and detailed design)
- Doyle Drive Project - $8.9 million EIR/EIS/PE and approximately $36 million for detailed design. Final project estimated cost $300 to $700 million. EIR/EIS/PE as percent of total project = 1.3% to 3% (6.3% or 14.7% for EIR/EIS/PE and detailed design)

- 4th Street Bridge Project - $1.3M EIR/EIS/PE and $1.5M detailed design -> final project cost = $29 million. EIR/EIS/PE as percent of total project cost = 4.5% (9.7% for EIR/EIS/PE and detailed design)
- Illinois Street Bridge Project - $800,000 (EIR/EIS/PE). Final estimated project cost = $15M. EIR/EIS/PE as percent of total project cost = 5%.

Conclusion

In summary, we are confident that we will be able to fund the required local match of $2,343,750 with non-General Fund sources. It is unclear how much we will eventually need to complete the EIR/EIS/PE phase of the South Basin Bridge project since various environmental review and project management professionals have estimated it will cost between $2.6 to $15 million. However, it seems likely to be at least 5% of the projected total project cost or $5.5 to $7.5 million. If the environmental review phase is less than the estimated $11,718,650, we will re-program the balance of the grant to the subsequent project phases of detailed design and construction. We will award a consultant contract up to a maximum of $9,372,364 but will issue task orders for each project scope/phase that has a negotiated budget with consultant staff assignments, hours and hourly rates. In that way, we can better manage the costs of the environmental review and minimize the use of both the federal grant and local matching funds for this phase of the project.

Cc: Jesse Blout, MOED
Karin Carlson, Mayor's Office
Harlan Kelly, DPW
Ed Lee, DPW
Stan Muraoka, SFRA
Harvey Rose, Budget Analyst

Item 2 - File 02-0994

Note: This item was continued by the Finance Committee at its meeting of October 16, 2001.

Department: Public Utilities Commission (PUC)

Item: Resolution approving the expenditure of funds for emergency contract CW-336E in the amount of $441,000 to replace variable frequency drives for main lift pumps at the Southeast Water Pollution Control Plant.

Amount: $441,000

Source of Funds: PUC Repair and Replacement Fund.

Description: The proposed resolution would approve the PUC's expenditure of $441,000 for an emergency contract to replace the variable frequency drives for the main lift pumps at the Southeast Water Pollution Control Plant. The PUC ratified the declaration of the emergency on August 13, 2002 (PUC Resolution No. 02-0151). According to the PUC, the emergency declaration was required because the existing variable frequency drives for the four main lift pumps at the Southeast Water Pollution Control Plant had repeatedly failed. According to Mr. Jignesh Desai of the PUC, the four main lift pumps are the primary means of transporting sewage from the Bayview Hunters Point area into the plant for treatment. Mr. Desai advises that if the variable frequency drives are not replaced the failure of the drives will damage the main lift pumps. The PUC reports that the situation posed a potentially significant liability issue for the City if the sewer backed up. In accordance with Chapter 6, Article IV, Section 6.60 of the San Francisco Administrative Code the PUC is required to obtain Board of Supervisor approval for all emergency contracts that exceed $250,000.

Mr. Desai reports that the General Manager of the PUC transmitted a letter to the President of the PUC recommending a declaration of an emergency on April 25, 2002. The PUC conducted an expedited bid procedure as provided for in Section 6.60 of the Administrative Code, which does not require the PUC to advertise Invitations for Bids in a newspaper as is required under formal competitive bidding procedures. On May 1, 2002,

Invitations for Bids were faxed to five contractors: (a) Bay Area Systems and Solutions, Inc., (b) Bleco Builders Inc., (c) Mayer Electric Co., Inc., (d) Millard Tong Construction Co., and (e) Sierra Electric Company. Attachment I, provided by the PUC, contains a summary of the three contractor bids received by the PUC. The PUC awarded the emergency contract for the amount of $441,000 to Sierra Electric Company, the low bidder, on May 7, 2002.

Comments:

1. Mr. Desai reports that work on the emergency contract began on September 10, 2002 and is scheduled to be completed by October 31, 2002. Mr. Desai further reports that the PUC has paid the contractor $214,830 to date.

2. Attachment II is a memorandum from Mr. Jon Loiacono of the PUC explaining why a declaration of emergency was recommended by the PUC General Manager on April 25, 2002, but the emergency was not ratified by the PUC until August 13, 2002 or approximately 3½ months later. This memorandum also explains why this project had to be treated as an emergency since the work on the contract did not begin until September 10, 2002, or approximately 4½ months after the date of April 25, 2002 when the emergency situation was recommended by the General Manager of the PUC.

3. Section 6.60 of the Administrative Code states that:

> An "actual emergency" means a sudden, unforeseeable and unexpected occurrence involving a clear and imminent danger, demanding immediate action to prevent or mitigate loss of or damage to, life, health, property or essential public services.

Although the Budget Analyst does not question the necessity of this project, the Budget Analyst questions why the $441,000 contract for this project had to be declared an emergency contract utilizing expedited bid procedures under Section 6.60 of the Administrative Code since the PUC ratified the declaration of an emergency on August 13, 2002 or more than approximately three and one half months subsequent to the date of April 25, 2002 when the project was recommended as an emergency by

the PUC General Manager. If this contract had not been treated as an emergency contract, the PUC would have been required to utilize formal competitive bidding procedures to award the contract, including the advertising of the Invitation for Bids in at least one local newspaper which handles the City's official advertising. Therefore, the Budget Analyst considers approval of the resolution to be a policy matter for the Board of Supervisors. The PUC responds in Attachment II indicating that the delay in declaring the emergency by the PUC was due to obtaining needed reviews by the Human Rights Commission and City Planning.

4. As previously noted, the PUC has awarded an emergency contract to the Sierra Electric Company without the use of a formal competitive bidding process. Mr. Ted Lakey of the City Attorney's Office advises that the City must comply with the contract that is in place with the Sierra Electric Company.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Attachment I

PUBLIC UTILITIES COMMISSION
SCHEDULE OF BID PRICES

Contract No.: CW-336
SEWPCP Building 011 Improvements - Main Lift Pumps VFDs Replacement
Estimate: $450,000.00

			Sierra Electric Co.		Mayer Electric Co., Inc.		Millard Tong Const. Co	
Bid Item No.	Unit	Bid Description	Unit Price	Amount	Unit Price	Amount	Unit Price	Amount
1	L.S.	REMOVAL OF FOUR VFDS, CONDUIT, AND WIRING		$7,500.00		$12,159.00		$10,200.00
2	L.S.	FURNISHING AND INSTALLATION OF 2-400HP & 2-600HP VFDS, TESTING, STARTUP, TRAINING & COMMISSIONING		$296,500.00		$326,193.00		$351,000.00
3	L.S.	FURNISHING AND INSTALLATION OF TWO PUMP SPEED CONTROL PANELS		$30,000.00		$32,108.00		$45,600.00
4	L.S.	FURNISHING AND INSTALLATION OF MULTI-CONDUCTOR, SHIELDED CABLES BETWEEN VFDS AND MOTORS		$11,500.00		$25,651.00		$15,500.00
5	L.S.	REMOVAL, AND FURNISHING & INSTALLATION OF FEEDER CONDUCTORS BETWEEN VFDS AND MCCS.		$37,500.00		$20,651.00		$28,300.00
6	L.S.	UPGRADE ONE EXISTING VFD		$58,000.00		$55,399.00		$55,660.00
		Total		$441,000.00		$472,161.00		$506,260.00

There were no response to the City's Request for Quotations from Bay Area Systems and Solutions Inc. DBA BASS (LBE/MBE); and Bleco Builders Inc. (LBE/WBE)

Attachment II

SFPUC

SAN FRANCISCO PUBLIC UTILITIES COMMISSION
1155 MARKET ST., 4TH FLOOR, SAN FRANCISCO, CA 94103 • TEL. (415) 554-3155 • FAX (415) 554-3161

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

WATER
HETCH HETCHY WATER & POWER
CLEAN WATER

October 9, 2002

Harvey M. Rose
Budget Analyst
1390 Market Street, Ste 1025
San Francisco, CA 94103

Re: Contract No. CW-336E, SEWPCP Bldg 011 Main Lift Pumps VFDs Replacement

Dear Mr. Rose:

In accordance with Chapter 6, Article IV, Section 6.60 of the San Francisco Administrative Code, the San Francisco Public Utilities Commission (SFPUC) requested the Board of Supervisors to approve the expenditure of funds for the subject contract on September 12, 2002. This letter is in response to additional information requested from your office.

The General Manager of the SFPUC requested an emergency contract on April 25, 2002. The emergency was ratified on August 13, 2002 by SFPUC Resolution No. 02-0151. The reason for the time gap is because this contract required review and approval from HRC (Chapter 12D waiver) and City Planning (categorical exemption from environmental review) prior to ratification by the SFPUC. The General Manager has now directed staff to coordinate these reviews in the future with other City departments in an expeditious manner to avoid delays similar to this contract.

The scope of work included purchasing and installing four variable frequency drives (VFDs) for sewage main lift pumps at the Southeast Water Pollution Control Plant (SEWPCP). The construction could not start until September 2002, because VFDs fabrication and delivery had a lead-time of twenty (20) weeks. VFDs were ordered on the May 7, 2002 by the Contractor upon the receipt of Notice to Proceed from SFPUC. VFDs were delivered to the SEWPCP on September 5, 2002. The construction commenced on September 10, 2002.

If you have further questions regarding this project, please contact me at 242-2228.

Sincerely,

Jon Loiacono

Jon Loiacono, Manager
Environmental Engineering, WPC

Item 3 - File 02-1667

Note: This item was continued by the Finance Committee at its meeting of October 16, 2002.

Department: Controller

Item: Resolution establishing the City and County's Appropriations Limit for FY 2002-2003 pursuant to Article XIII B of the California Constitution.

Description: The proposed resolution would establish $1,751,554,849 as the FY 2002-2003 adjusted Appropriations Limit for the City and County of San Francisco as required by Article XIII B of the California Constitution.

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Article XIII B limits the growth of appropriations from the proceeds of taxes of the State of California and local governments to the percentage change in population for the local governmental entity and the percentage change in the cost of living. The California Government Code requires that each local government establish its Appropriations Limit by resolution each year.

State Proposition 111, approved by the voters in June 1990, made several changes to Article XIII B (9) which are reflected in the City's computations. First, Proposition 111 redefined *change in the cost of living* as follows:

> *"Change in the cost of living" for an entity of local government, other than a school district or a community college district, shall be either (A) the percentage change in California per capita personal income from the preceding year, or (B) the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction. Each entity of local government shall select its change in the cost of living pursuant to this paragraph annually by a recorded vote of the entity's governing body.*

According to the State Department of Finance, the percentage change in California per capita personal income as of January of 2002 as compared to January of 2001 results in a 1.27 percent decrease. The Assessor's Office advises that the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local

nonresidential new construction is 0.68 percent for FY 2002-2003 compared to FY 2001-2002. The proposed resolution specifies that the Appropriations Limit calculations pursuant to Article XIII B shall use the percentage change in the local assessment role due to non-residential new construction from the previous year as the measure of "*change in the cost of living*", rather than the percentage change from the preceding year in per capita income because the use of the change in per capita income would have resulted in a lower Appropriations Limit calculation.

Article XIII B permits an exclusion from appropriations subject to limitation for Voter-Approved indebtedness funded from the proceeds of taxes. Such Voter-Approved indebtedness funded from the proceeds of taxes for FY 2002-2003 totals $88,162,072 according to the Controller.

Article XIII B as amended by Proposition 111 also states that appropriations subject to limitation do not include *"appropriations required to comply with mandates of the Courts or the Federal Government".* In that regard, the Controller has identified that, for FY 2002-2003, $3,857,143 will be expended by City departments for costs related to toxic remediation required by the Federal Resource Conservation Act.

Article XIII B (9), as amended by Proposition 111, also permits an adjustment to exclude appropriations for *"Qualified Capital Outlay as defined by the legislature"* from proceeds of taxes. This results in a reduction of $15,844,155 for FY 2002-2003, from appropriations of proceeds of taxes subject to the limit for Capital Outlay.

The Controller has computed the FY 2002-2003 Appropriations Limit for the City and County of San Francisco as shown on the following page (percentages and computed amount have been rounded by the Controller):

FY 2001-2002 Gross Appropriations Limit	$1,717,059,535
Adjusted by:	
Increase in Cost of Living	0.68%
Increase in Population	1.32%
FY 2002-2003 Net Appropriations Limit	$1,751,554,849*

*1.0068 times 1.0132 equals 1.020090 times $1,717,059,535.

The Controller's Office monitors revenues subject to the Appropriations Limit throughout each fiscal year. At year-end, as part of the annual financial audit, a final computation is prepared comparing actual proceeds of taxes to the Appropriations Limit. At that time, two tests must be met. First, all actual proceeds of taxes must be below the Appropriations Limit; and second, all actual proceeds of taxes collected must be appropriated. If either test is not met, according to Article XIII B, excess revenues collected must be returned to the taxpayers within two years.

As calculated by the Controller, the amount appropriated in the City's FY 2002-2003 budget that is subject to the Appropriations Limit is $1,544,346,831 which is $207,208,018 less than the net FY 2002-2003 Appropriations Limit of $1,751,554,849. In accordance with the Administrative Provisions of the Annual Appropriation Ordinance, any FY 2002-2003 tax proceeds in excess of current estimates will be appropriated to the City's General Fund General Reserve, which is used as a revenue source (a) to fund supplemental appropriations during the current fiscal year, and (b) to fund the City's budget for the next fiscal year.

Recommendation: Approve the proposed resolution.

Item 4 - File 02-1671

Department: Board of Supervisors

Item: Hearing to consider the release of reserved funds in the amount of $318,000 for official advertising.

Amount: $318,000

Source of Funds: General Fund monies reserved in the FY 2002-2003 Board of Supervisors budget.

Description: The Board of Supervisors appropriated $480,000 in the Board of Supervisors FY 2002-2003 budget for official advertising, placing $318,200 on reserve. This reserve was established pending submission to the Finance Committee of the Controller's Audits Division assessment of the procedures used by the firm Verified Audit Circulation in conducting the newspaper circulation audit of the San Francisco Independent, the City's official newspaper for Type 2 official advertising. Type 2 official advertising must be published one time (other than one-time advertising related to special meetings for the Board of Supervisors and its standing and/or special committees) or more than one time but not more than three times per week for a specified number of weeks. The official newspaper must publish at least three days in a calendar week for Type 2 official advertising. Such days do not need to be consecutive days.

The Attachment is a memorandum from the Controller's Audits Division containing the results of the Controller's Audits Division assessment of the circulation audit of the San Francisco Independent conducted by Verified Audit Circulation. As stated in the Attachment, "Based on the procedures described by the president of Verified Audit, we are reasonably assured that the City can rely on the audited circulation data for the San Francisco Independent."

Comments: 1. On June 24, 2002, the Board of Supervisors approved a resolution designating the San Francisco Independent to be the City's official newspaper for Type 2 non-consecutive

day official advertising for the period of July 1, 2002 through December 31, 2002 (File 02-0778).

According to Mr. Ted Lakey of the City Attorney's Office, the Board of Supervisors will need to designate an official newspaper for Type 2 non-consecutive day official advertising for the period of January 1, 2003 through June 30, 2003. Mr. Mike Ward of the Purchasing Division reports that the City's current six-month contract with the San Francisco Independent contains an option to extend the contract for an additional six months for the period from January 1, 2003 through June 30, 2003. Mr. Ward advises that the Purchasing Division intends to introduce legislation to the Board of Supervisors designating the San Francisco Independent as the City's official newspaper for Type 2 non-consecutive day advertising for the period from January 1, 2003 through June 30, 2003.

2. Mr. Lakey advises that the Board of Supervisors also needs to designate an official newspaper for Type 1 official advertising for FY 2002-2003. Type 1 official advertising must be published on two or more consecutive days, and all official advertising which is required to be published in accordance with 2.103 and 2.108 of the Charter for special meetings of the Board of Supervisors and its standing or special committees. The official newspaper must publish at least five consecutive days a week for Type 1 official advertising. Mr. Ward reports that the City has extended its FY 2001-2002 contract with the San Francisco Chronicle on a month-to-month basis to provide Type 1 official advertising in FY 2002-2003. However, the Board of Supervisors has not yet designated an official newspaper for Type 1 official advertising for FY 2002-2003.

3. According to Mr. Lakey, without designation by the Board of Supervisors of an official newspaper for Type 1 and Type 2 official advertising, the City is not obligated to publish official advertisements in any particular newspaper.

4. According to Mr. Ward, the cost of the City's six-month contract from July 1, 2002 through December 31, 2002

with the San Francisco Independent for Type 2 official advertising is based on the cost per line of typeset. Mr. Ward reports that the cost per line of typeset charged by the San Francisco Independent is $3.98, which is the same per line typeset rate charged to the City by the San Francisco Independent in FY 2001-2002. Mr. Ward further reports that the cost of the City's month-to-month contract with the San Francisco Chronicle for Type 1 official advertising is also based on the cost per line of typeset. Mr. Ward reports that the cost per line of typeset charged by the San Francisco Chronicle is $8.85, which is 5.1 percent more than the per line typeset rate of $8.42 charged to the City by the San Francisco Chronicle in FY 2001-2002.

5. As previously noted, the Board of Supervisors appropriated $480,000 in the Board of Supervisors FY 2002-2003 budget for official advertising, including $469,131 for Type 1 official advertising and $10,869 for Type 2 official advertising. According to Ms. Gloria Young, Clerk of the Board of Supervisors, it is now anticipated that a total of $450,000 will be expended on official advertising in FY 2002-2003. Therefore, the Budget Analyst recommends releasing $288,200 of the requested $318,000 of reserved funds, or $29,800 less than the amount requested to be released ($480,000 appropriated less $318,200 reserved equals $161,800 plus $288,200 recommended amount for release equals $450,000 needed).

Recommendation: In accordance with Comment No. 5, reduce the requested amount of reserved funds to be released by $29,800 from $318,000 to $288,200 and approve the release of $288,200.

Attachment

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

MEMORANDUM

TO: Ed Harrington

FROM: Nori Hirasuna and Winnie Woo

DATE: September 16, 2002

SUBJECT: Circulation Audit of the San Francisco Independent Newspaper

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The firm that conducts the circulation audit of the San Francisco Independent (Independent) has reasonable audit procedures to substantiate the circulation data for the Independent. We interviewed the president of the firm, Verified Audit Circulation (Verified Audit), as well as the vice president of sales for the San Francisco Examiner and the Independent, on September 5, 2002. Verified Audit has been in business for more than 50 years and audits more than 1,500 publications throughout the United States, Canada, and Latin America. It has audited such newspaper clients as the Chicago Tribune, Cox Newspapers, Knight Ridder, The McClatchy Company, and the Washington Post.

Verified Audit's procedures require the Independent to submit quarterly data on circulation, such as number of copies printed each day, the number of copies delivered by carriers, mailing statements for newspapers sent by mail, and the number of copies that are placed in newspaper racks. Once a year, Verified Audit makes a site visit to conduct its audit, and randomly selects for testing, one week in each of four months. Verified Audit confirms the number of issues printed and distributed by examining printing press logs that show the starting and ending numbers for copies printed on the printing presses for each run. Since the Independent is a free newspaper, there is no subscriber base to check, but Verified Audit does review carrier information to verify that carriers were being paid to deliver newspapers to households in San Francisco. According to the San Francisco Examiner's vice president of sales, a district manager checks to make sure that the carriers deliver the newspapers to households and just doesn't dump the papers at a corner. He further explained that delivery to a specific household may change from week to week. The Independent delivers to a set number of households in a specific zip code, but it doesn't necessarily deliver to a specific household. As a further test to verify circulation, Verified Audit also conducts polls every two to three years to ask a sample of San Francisco residents whether they normally receive the Independent. In its audit report for calendar year 2001, Verified Audit reported that 99% of its sample reported receiving the Independent.

Based on the procedures described by the president of Verified Audit, we are reasonably assured that the City can rely on the audited circulation data for the San Francisco Independent.

Item 5 – File 02-1773

Departments:	Port Public Works
Item:	Resolution authorizing the San Francisco Port Commission to accept and expend four grants in the total amount of $1,000,000 from the (a) State of California Coastal Conservancy, (b) the Association of Bay Area Governments (ABAG), (c) the State of California Transportation Commission, and (d) the State of California Wildlife Conservation Board for the Port's Ferry Terminal Public Pier Project.

Amounts and Sources of Funds:

Association of Bay Area Governments San Francisco Bay Trail Project:	$200,000
State of California Coastal Conservancy:	400,000
State of California Transportation Commission, Environmental Enhancement and Mitigation Program (See Comment No. 8):	200,000
State of California Wildlife Conservation Board:	200,000
Total Grant Amount:	$1,000,000

Grant Period:	July 1, 2002 through December 31, 2003 (18 Months, see Comment No. 1).
Required Match:	$300,000 (20.6 percent of the total project cost of $1,456,686, see Comment No. 2)
Source of Matching Funds:	Port's Fiscal Year 1999-2000 Capital Budget (See Comment No. 2)
Indirect Costs:	The Port requests that indirect costs be waived to maximize the use of the available grant funds for direct services. (See Comment No. 6)
Description:	The proposed resolution would authorize the Port to accept and expend four grants totalling $1,000,000 to fund construction of a public pier project near the Ferry Terminal along the Embarcadero. The $1,000,000 in subject grant funds is comprised of the following: (a) $400,000 from the State of California Coastal

Conservancy; (b) $200,000 from the State of California Transportation Commission, Environmental Enhancement and Mitigation Program; (c) $200,000 from the State of California Wildlife Conservation Board grant; and (d) $200,000 from the Association of Bay Area Governments San Francisco Bay Trail Project.

According to Mr. Dan Hodapp of the Port, the proposed project would utilize the existing breakwater near the Ferry Terminal Building, which is an offshore wall that protects the shore from the force of waves. A pier would be constructed with public pedestrian improvements directly on top of the breakwater. The project would include (a) construction of an approximately 115-foot connection from Herb Caen Way (The Embarcadero) between Mission Street and Howard Street on top of the existing breakwater, and (b) construction of a 15-foot wide public pier with a circular turn-around station at the end of the pier, which would extend approximately 600 feet into the Bay.

According to Mr. Hodapp, the proposed project has received all necessary regulatory approvals from the Bay Conservation and Development Commission (BCDC), the Army Corps of Engineers, the Regional Water Quality Control Board, the San Francisco Planning Department, and the Federal Highway Administration. According to Mr. Hodapp, the design component of the project was completed as part of the Port's Ferry Terminal Public Pier Project and the proposed grant monies would fund construction costs and related contractual services costs. Mr. Hodapp advises that the proposed Ferry Terminal Public Pier Project would provide recreation and recreational fishing opportunities to the public.

Budget: A summary budget for the proposed Ferry Terminal Public Pier Project and the related funding sources are as follows:

Proposed Project Funding Sources		
Subject Grant Monies		$1,000,000
Port Matching Funds		300,000
Metropolitan Transportation Commission Transportation Development Act Article 3 Grant Funds	$50,000	
California Resources Agency Grant Funds	106,686	156,686*
Total Funding		$1,456,686

* See Comment Nos. 2, 3 and 4.

Proposed Project Summary	
Construction	$1,340,186
Construction Management Services	116,500
Total Project Expenditures	$1,456,686

Attachment I, provided by Mr. Hodapp, contains budget details for the total estimated project costs of $1,445,686 and related funding sources.

Comments:

1. Although the subject grant period began on July 1, 2002, Mr. Hodapp reports that the proposed resolution is coming before the Board of Supervisors only now, nearly four months after the subject grant was to begin, because the Port has been assembling the Invitation for Bid package to obtain a construction contractor for the proposed project. Mr. Hodapp advises that the Department has neither accepted nor expended the proposed grant funds. Therefore, this resolution does not provide for retroactivity. Mr. Hodapp further advises the Port plans to expend the entire grant amount prior to December 31, 2003, the end of the grant period.

2. As noted above, the subject grants require a total local match of $300,000, or 20.6 percent of the total project cost of $1,456,686. According to Mr. Hodapp, the local match is comprised of (a) $120,000 in Port revenues to match the State of California Coastal Conservancy grant; (b) $60,000 in Port revenues to match the State of California Transportation Commission, Environmental Enhancement and Mitigation Program grant; (c) $60,000 in Port revenues to match the State of California Wildlife Conservation

Board grant; and (d) $60,000 in Port revenues to match the Association of Bay Area Governments San Francisco Bay Trail Project grant funds. The subject grant funds of $1,000,000 and the required matching funds of $300,000 total $1,300,000. According to Mr. Hodapp, the local match of $300,000 will be funded from the Fiscal Year 1999-2000 Port Capital Budget, as previously appropriated by the Board of Supervisors. According to Mr. Hodapp, the $300,000 in matching funds was carried over from Fiscal Year 1999-2000, while the Port was in the process of procuring the subject proposed grant funds. The balance of $156,686 (total project costs of $1,456,686 less subject grant funds of $1,000,000 less the required match of $300,000) would be funded from the sources cited in Comment No. 3 below.

3. Mr. Hodapp advises that the Metropolitan Transportation Commission will fund $50,000 of the proposed project through the Department of Public Works. According to Mr. Patrick Rivera of the Department of Public Works, the $50,000 of funds are from the Metropolitan Transportation Commission Transportation Development Act (TDA) Article 3 grant funds, which was approved by the Board of Supervisors in June of 2002.

4. According to Mr. Hodapp, the remaining $106,686 in funding for the proposed project is from State of California Resources Agency – Coastal Impact Assistance Program (CIAP) grant. According to Mr. Hodapp, the Port has been awarded and accepted this grant. Mr. Hodapp further advises that the Port anticipates bringing the $106,686 CIAP grant before the Board of Supervisors in November of 2002.

5. As shown in Attachment I, the estimated construction costs are $1,340,186. Mr. Hodapp reports that a contract will be awarded to a construction contractor on the basis of the lowest, qualified competitive bid. Mr. Hodapp advises that the Port plans to conduct the competitive bid process in December of 2002 for the construction of the proposed Ferry Terminal Public Pier Project.

6. According to Mr. Hodapp, the $116,500 reported in the Grant Information Form for each of the subject grants as

indirect costs is actually Port overhead costs, and not indirect costs as indicated. According to Mr. Hodapp, the $116,500 would be used for construction management services for the proposed project. Such construction management services will be performed by an outside consultant. Mr. Hodapp advises that in January of 2003 the Port plans to conduct a Request for Proposal process for such construction management services, which is estimated to cost $116,500. However, since a consultant has not yet been selected, the Budget Analyst recommends that the $116,500 be placed on reserve, pending identification of the consultant and submission to the Finance Committee of total costs including estimated hours and hourly rates.

7. As a condition of the $200,000 subject grant from the State of California Wildlife Conservation Board, the State of California requires the Port to enter into a proposed 25–year Operating Agreement and Standard Agreement with the State of California. According to Mr. Tim Yoshida of the City Attorney's Office, the proposed Operating Agreement and Standard Agreement is not subject to separate Board of Supervisors approval because that agreement is simply a condition to satisfy the operating intent of the grant agreement, which is before the Board of Supervisors. According to Mr. Hodapp, the proposed Operating Agreement and Standard Agreement (a) places conditions on the use of the proposed pier, including that the Port may not impose charges for the use of the pier, (b) establishes concession restrictions on the proposed pier, requiring that the concessions are consistent with the use of the pier, and (c) requires that the pier signs must display the names of State agencies involved in the project. Although, the Port may enter into agreements with third parties for operation of concessions on the proposed pier, with State of California approval, and under the Operating Agreement and Standard Agreement, any revenues from concessions must be used solely for the operation and maintenance of the proposed pier, according to Mr. Hodapp, the Port does not plan to locate concessions on the proposed pier.

8. Attachment II is the Grant Information Form, provided by the Port, which includes the Disability Access Checklist. The Grant Information Form incorrectly

identifies one of the sources of grant funding as the State of California Resources Agency. Mr. Hodapp states the correct source of grant funding is the State of California Transportation Commission, Environmental and Mitigation Program.

Recommendations:

1. In accordance with Comment No. 6, amend the proposed resolution by reserving $116,500 for the construction management services consultant, pending identification of the consultant and submission to the Finance Committee of budget details, including estimated hours and hourly rates.

2. Approve the proposed resolution, as amended.

Ferry Terminal Public Pier Project
BUDGET DETAIL

Public Pier - Line Item Expenses:

Description	Amount	
Trestle to Connect to Promenade	$480,000	
Railing and site furnishings	510,000	
Electrical	65,000	
Pier Turn-around	110.000	
Public Pier (Subtotal)		**$1,165,000**
Escalation @ 3.5%	46,600	
Contingency @ 9.6%	128.586	
Construction / Contractual Services		**$1,340,186**
Construction Administration @10%	116.500	
PUBLIC PIER (TOTAL)		**$1.456.686**

Public Pier - Sources of Funds:

Description	Source of Funds
California Coastal Conservancy Grant Funds	$400,000
California Transportation Commission Grant Funds	200,000
Association of Bay Area Governments Grant Funds	200,000
Wildlife Conservation Board Grant Funds	200,000
Port Capital Matching Funds	300,000
Metropolitan Transportation Commission Article 3 Grant Funds	50,000
California Resources Agency – CIAP Grant	106.686
Total Funds:	**$1,456,686**

File Number: ____________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: **Association of Bay Area Governments Bay Trail program to allow construction of the Downtown Ferry Terminal Public Pier Project**

2. Department: **Port of San Francisco**

3. Contact Person: **Taline Sanassarian** Telephone: **415-274-0417**

4. Grant Approval Status (check one):

   [X] Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: **$200,000**

6a. Matching Funds Required: **$60,000**
b. Source(s) of matching funds (if applicable): **Port of San Francisco**

7a. Grant Source Agency: **Association of Bay Area Governments (ABAG) Bay Trail Project**
b. Grant Pass-Through Agency (if applicable): **None**

8. Proposed Grant Project Summary:

The Downtown Ferry Terminal Public Pier would take advantage of a unique opportunity- transforming an existing, required breakwater into a landmark open space and recreation pier extending 600 feet into San Francisco Bay. The Public Pier would be an extension of the regional Bay Trail, and a key addition to the Port's open space network. The project enjoys broad community support, and is consistent with local, regional, and statewide plans and policies. Additionally, the Downtown Ferry Terminal Public Pier is designed, permitted, approved, and ready for construction.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start-Date: **July 2002** End-Date: **December 2003**

10. Number of new positions created and funded: **None**

11. If new positions are created, explain the disposition of employees once the grant ends? N/A

12a. Amount budgeted for contractual services: **1,328,100**

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? **Yes**

d. Is this likely to be a one-time or ongoing request for contracting out? **One-time**

13a. Does the budget include indirect costs? **[X] Yes** [ ] No

b1. If yes, how much? **$116,500**
b2. How was the amount calculated? **Port construction administration costs at 10% of construction cost.**

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

Disability Access Checklist***

15. This Grant is intended for activities at (check all that apply):

[ ] Existing Site(s)
[ ] Rehabilitated Site(s)
[X] New Site(s)
[X] Existing Structure(s)
[ ] Rehabilitated Structure(s)
[X] New Structure(s)
[ ] Existing Program(s) or Service(s)
[X] New Program(s) or Service(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: WPL Director, MOD
(Name)

Date Reviewed: 24 Sep 2002

Department Approval: DOUG WONG EXECUTIVE DIRECTOR
(Name) (Title)

(Signature)

Grant Information Form

(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: **California Coastal Conservancy program to allow construction of the Downtown Ferry Terminal Public Pier Project**

2. Department: **Port of San Francisco**

3. Contact Person: **Taline Sanassarian** Telephone: **415-274-0417**

4. Grant Approval Status (check one):

   [X] Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: **$400,000**

6a. Matching Funds Required: **$120,000**
b. Source(s) of matching funds (if applicable): **Port of San Francisco**

7a. Grant Source Agency: **California Coastal Conservancy**
b. Grant Pass-Through Agency (if applicable): **None**

8. Proposed Grant Project Summary:

The Downtown Ferry Terminal Public Pier would take advantage of a unique opportunity- transforming an existing, required breakwater into a landmark open space and recreation pier extending 600 feet into San Francisco Bay. The Public Pier would be an extension of the regional Bay Trail, and a key addition to the Port's open space network. The project enjoys broad community support, and is consistent with local, regional, and statewide plans and policies. Additionally, the Downtown Ferry Terminal Public Pier is designed, permitted, approved, and ready for construction.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start-Date: **July 2002** End-Date: **December 2003**

10. Number of new positions created and funded: **None**

11. If new positions are created, explain the disposition of employees once the grant ends? **N/A**

12a. Amount budgeted for contractual services: **1,328,100**

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? **Yes**

d. Is this likely to be a one-time or ongoing request for contracting out? **One-time**

13a. Does the budget include indirect costs? **[X] Yes** [ ] No

b1. If yes, how much? **$116,500**
b2. How was the amount calculated? **Port construction administration costs at 10% of construction cost.**

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

****Disability Access Checklist*****

15. This Grant is intended for activities at (check all that apply):

[ ] Existing Site(s) [X] Existing Structure(s) [ ] Existing Program(s) or Service(s)
[ ] Rehabilitated Site(s) [ ] Rehabilitated Structure(s) [X] New Program(s) or Service(s)
[X] New Site(s) **[X] New Structure(s)**

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: WPL Director, MOD
(Name)

Date Reviewed: 24 Sep 2002

Department Approval: DOUG WONG EXECUTIVE DIRECTOR
(Name) (Title)

(Signature)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: **California Department of Transportation Environmental Enhancement & Mitigation (EEM) program to allow construction of the Downtown Ferry Terminal Public Pier Project**

2. Department: **Port of San Francisco**

3. Contact Person: **Taline Sanassarian** Telephone: **415-274-0417**

4. Grant Approval Status (check one):

[X] **Approved by funding agency** [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: **$200,000**

6a. Matching Funds Required: **$60,000**
b. Source(s) of matching funds (if applicable): **Port of San Francisco**

7a. Grant Source Agency: **State of California Resources Agency**
b. Grant Pass-Through Agency (if applicable): **None**

8. Proposed Grant Project Summary:

The Downtown Ferry Terminal Public Pier would take advantage of a unique opportunity- transforming an existing, required breakwater into a landmark open space and recreation pier extending 600 feet into San Francisco Bay. The Public Pier would be an extension of the regional Bay Trail, and a key addition to the Port's open space network. The project enjoys broad community support, and is consistent with local, regional, and statewide plans and policies. Additionally, the Downtown Ferry Terminal Public Pier is designed, permitted, approved, and ready for construction.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: **July 2002** End-Date: **December 2003**

10. Number of new positions created and funded: **None**

11. If new positions are created, explain the disposition of employees once the grant ends? N/A

12a. Amount budgeted for contractual services: **1,328,100**

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? **Yes**

d. Is this likely to be a one-time or ongoing request for contracting out? **One-time**

13a. Does the budget include indirect costs? [X] Yes [ ] No

b1. If yes, how much? **$116,500**
b2. How was the amount calculated? **Port construction administration costs at 10% of construction cost.**

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

****Disability Access Checklist*****

15. This Grant is intended for activities at (check all that apply):

[ ] Existing Site(s) [X] Existing Structure(s) [ ] Existing Program(s) or Service(s)
[ ] Rehabilitated Site(s) [ ] Rehabilitated Structure(s) [X] New Program(s) or Service(s)
[X] New Site(s) **[X] New Structure(s)**

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: WPL Director, MOD
(Name)

Date Reviewed: 24 Sep 2002

Department Approval: DOUG WONG EXECUTIVE DIRECTOR
(Name) (Title)

(Signature)

File Number: ______________________
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: **California Department of Fish & Game Wildlife Conservation Board program to allow construction of the Downtown Ferry Terminal Public Pier Project**

2. Department: **Port of San Francisco**

3. Contact Person: **Taline Sanassarian** Telephone: **415-274-0417**

4. Grant Approval Status (check one):

   [X] Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: **$200,000**

6a. Matching Funds Required: **$60,000**
b. Source(s) of matching funds (if applicable): **Port of San Francisco**

7a. Grant Source Agency: **Wildlife Conservation Board, Department of Fish & Game**
b. Grant Pass-Through Agency (if applicable): **None**

8. Proposed Grant Project Summary:

The Downtown Ferry Terminal Public Pier would take advantage of a unique opportunity- transforming an existing, required breakwater into a landmark open space and recreation pier extending 600 feet into San Francisco Bay. The Public Pier would be an extension of the regional Bay Trail, and a key addition to the Port's open space network. The project enjoys broad community support, and is consistent with local, regional, and statewide plans and policies. Additionally, the Downtown Ferry Terminal Public Pier is designed, permitted, approved, and ready for construction.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start-Date: **July 2002** End-Date: **December 2003**

10. Number of new positions created and funded: **None**

11. If new positions are created, explain the disposition of employees once the grant ends? N/A

12a. Amount budgeted for contractual services: **1,328,100**

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? **Yes**

d. Is this likely to be a one-time or ongoing request for contracting out? **One-time**

13a. Does the budget include indirect costs? [X] Yes [ ] No

b1. If yes, how much? **$116,500**
b2. How was the amount calculated? **Port construction administration costs at 10% of construction cost.**

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency [ ] To maximize use of grant funds on direct services
[ ] Other (please explain):

14. Any other significant grant requirements or comments:

Disability Access Checklist***

15. This Grant is intended for activities at (check all that apply):

[ ] Existing Site(s) [X] Existing Structure(s) [ ] Existing Program(s) or Service(s)
[ ] Rehabilitated Site(s) [ ] Rehabilitated Structure(s) [X] New Program(s) or Service(s)
[X] New Site(s) **[X] New Structure(s)**

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: WPL Director, MOD
(Name)

Date Reviewed: 24 Sep 2002

Department Approval: DOUG WONG EXECUTIVE DIRECTOR
(Name) (Title)

(Signature)

Item 6 – File 02-1774

Department: Port

Item: Resolution authorizing the San Francisco Port Commission to accept and expend a Federal grant in the amount of $500,000 from the Federal Transportation Security Administration to fund the Port's security assessment efforts.

Amount: $500,000

Grant Period: February 1, 2003 to May 31, 2003 (Four months, see Comment No. 3)

Source of Funds: United States Department of Transportation, Transportation Security Administration—Port Security Grants Program

Required Match: $100,000 (See Comment No. 1)

Indirect Costs: The proposed resolution does not include indirect costs in the grant budget in order to maximize the use of available funds on direct services.

Description: The proposed resolution would authorize the Port to accept and expend Federal grant funds of $500,000 for the purpose of assessing the security needs of waterfront properties managed by the Port.

The grant funds would be used to contract with a consultant who would conduct a comprehensive security assessment of the Port's facilities and operations, and evaluate and identify areas of security vulnerability and appropriate security mitigation strategies, in a five-phase process, as follows:

- Phase 1--the consultant would conduct interviews with Port tenants and other stakeholders, visit sites and collect security-related data.
- Phase 2--the consultant would issue interim and comprehensive final reports and present findings to the Port.
- Phase 3--the consultant would identify and prioritize capital projects needed for security purposes.

- Phase 4--the consultant would identify and implement pilot projects to evaluate the effectiveness of selected capital projects before full-scale implementation is begun.
- Phase 5--the consultant would provide training to Port staff and Port tenants in order to promote security-focused procedures for activities conducted on Port facilities.

Budget: The total project budget of $600,224, including the subject grant funds and the matching funds of $100,224, is shown in Attachment I.

Comments: 1. According to Mr. Michael Nerney of the San Francisco Port, the $100,000 matching fund requirement will be met by $100,224 of in kind contributions from existing Port staff time dedicated to grant-related work, as detailed in Attachment I. In contrast to the consultant responsibility, the Port staff providing the in kind contribution will prepare and issue the Request for Proposal, evaluate and select a consultant and, upon selection of a consultant, manage and coordinate the consultant contract, according to Mr. Nerney.

2. Mr. Nerney reports that a Request for Proposal (RFP) has been issued by the Port in order to select a consultant that will evaluate and assess the security needs of the Port. The RFP was emailed to the 35 consultants listed in Attachment II, provided by Mr. Nerney. According to Mr. Nerney, the Port also advertised the RFP availability in the following minority newspapers: China Press, Chinese Times and Asian Week (Chinese Community); El Mensajero, El Latino and El Reportero (Hispanic Community); Bay View, Inc. (African American community); and Bay Area Reporter (lesbian/gay/bisexual/transgender community). Mr. Nerney states that the Port also sent notice of the RFP to the American Association of Port Authorities for placement in its weekly newsletter. Mr. Nerney further states that the Office of Contract Administration has listed the RFP on its Purchasing Division's website. Mr. Nerney advises that the Port anticipates selecting a consultant under the subject grant by December 20, 2002. The Budget Analyst therefore recommends that the

$500,000 in grant funds be reserved pending submission to the Finance Committee of the identification of the consultant and provision of budget details, including consultant hours and hourly rates.

3. Attachment III, provided by the Port, is the Grant Information Form, which includes the Disability Access Checklist. The Grant Information Form states that the start date of the grant period is January of 2003. Mr. Nerney, however, advises that the Port has revised the start date to February 1, 2003 since the Port Commission will not be able to review and approve the final consultant selection until its Commission meeting in January, 2003. Mr. Nerney further advises that the end date of the grant period, stated to be April of 2003 in the Grant Information Form, will also be delayed one month, to May 31, 2003.

Recommendation:

1. In accordance with Comment No. 2, amend the proposed resolution by reserving this $500,000 grant, pending selection of a consultant and submission to the Finance Committee of budget details, including estimated hours and hourly rates.

2. Approve the proposed resolution, as amended.

Security Assessment Budget

Contractual Services (Phases 1-5)	Phase Expense
Phase 1 – Research • Collect data • Conduct interviews • Visit sites	$200,000
Phase 2 – Reporting • Issue interim reports based on research • Issue comprehensive final report • Present findings & recommendations to Port	$50,000
Phase 3 – Capital Projects • Identify and prioritize capital projects • Estimate project costs • Outline projects in grant-proposal format	$75,000
Phase 4 – Pilot Projects • Identify and implement pilot projects	$75,000
Phase 5 – Training • Develop port-related security curriculum • Train Port staff & stakeholders	$100,000
Contractual Services Subtotal	$500,000
In Kind Contribution • Port Staff Time	$100,224
Total Security Assessment Budget	**$600,224** =======

Port of San Francisco
Security Assessment Project
Expense Budget

Project Phase	Department(s)	Nbr of Staff	Person/Hours	Rate	Task Expense	Phase Expense
Project Planning:						$ 7,680.00
Project Plan/Schedule/Budget	Maritime	2	80	$ 48.00	$ 3,840.00	
Grant Funds Application	Maritime	2	80	$ 48.00	$ 3,840.00	
Request for Proposal (RFP)						$ 40,320.00
RFP Planning	Maritime	2	80	$ 48.00	$ 3,840.00	
RFP Formulation	Maritime	2	160	$ 48.00	$ 7,680.00	
	Planning	1	80	$ 48.00	$ 3,840.00	
	Real Estate	1	80	$ 48.00	$ 3,840.00	
Security Team Coordination	Maritime	2	48	$ 48.00	$ 2,304.00	
	Real Estate	1	24	$ 48.00	$ 1,152.00	
	Administration	1	24	$ 48.00	$ 1,152.00	
	External Affairs	1	24	$ 48.00	$ 1,152.00	
	Gov't Relations	1	24	$ 48.00	$ 1,152.00	
	Engineering	2	48	$ 48.00	$ 2,304.00	
	Planning	1	24	$ 48.00	$ 1,152.00	
	Maintenance	1	24	$ 48.00	$ 1,152.00	
	Legal	1	24	$ 48.00	$ 1,152.00	
Legal Review	Legal	1	40	$ 48.00	$ 1,920.00	
Human Rights Review	HRC	1	32	$ 48.00	$ 1,536.00	
Board of Supervisors Review	Gov't Relations	1	32	$ 48.00	$ 1,536.00	
Port Commission Presentation	Maritime	1	16	$ 48.00	$ 768.00	
	Administration	1	8	$ 48.00	$ 384.00	
Civil Service Review	Administration	1	8	$ 48.00	$ 384.00	
RFP Communication/Distribution	Maritime	2	40	$ 48.00	$ 1,920.00	

NOTE: Salary rate is mean average including benefits loading

Port of San Francisco
Security Assessment Project
Expense Budget

Project Phase	Department(s)	Nbr of Staff	Person/Hours	Rate	Task Expense	Phase Expense
RFP Proposal Evaluation						$ 24,192.00
Initial Evaluation/Select Finalists	Maritime	2	80	$ 48.00	$ 3,840.00	
	Real Estate	1	40	$ 48.00	$ 1,920.00	
	Engineering	1	40	$ 48.00	$ 1,920.00	
	Planning	1	40	$ 48.00	$ 1,920.00	
	Administration	1	40	$ 48.00	$ 1,920.00	
Interviews	Maritime	2	40	$ 48.00	$ 1,920.00	
	Real Estate	1	20	$ 48.00	$ 960.00	
	Engineering	1	20	$ 48.00	$ 960.00	
	Planning	1	20	$ 48.00	$ 960.00	
	Administration	1	20	$ 48.00	$ 960.00	
Final Selection	Maritime	2	40	$ 48.00	$ 1,920.00	
	Real Estate	1	20	$ 48.00	$ 960.00	
	Engineering	1	20	$ 48.00	$ 960.00	
	Planning	1	20	$ 48.00	$ 960.00	
	Administration	1	20	$ 48.00	$ 960.00	
Port Commission Presentation	Maritime	1	16	$ 48.00	$ 768.00	
	Administration	1	8	$ 48.00	$ 384.00	
Contract Management						$ 15,360.00
Contract Formulation	Maritime	2	80	$ 48.00	$ 3,840.00	
	Legal	2	80	$ 48.00	$ 3,840.00	
Contract Negotiation	Maritime	2	80	$ 48.00	$ 3,840.00	
	Legal	2	80	$ 48.00	$ 3,840.00	
Security Assessment						$ 12,672.00
Assessment Coordination	Maritime	2	64	$ 48.00	$ 3,072.00	
Contract Administration	Legal	1	8	$ 48.00	$ 384.00	
Post Assessment Evaluation	Maritime	2	64	$ 48.00	$ 3,072.00	
Security Project(s) Planning	Maritime	2	64	$ 48.00	$ 3,072.00	
	Real Estate	1	32	$ 48.00	$ 1,536.00	
	Planning	1	32	$ 48.00	$ 1,536.00	
TOTAL PROJECT BUDGET						$ 100,224.00

Security Vendor List
(as of 10/25/02)

No.	Company	Address	City	State	Zip	Country	Contact Person	Title	Phone	Fax	E-mail
1	ABS Consulting	16855 Northchase Drive	Houston	TX	77060-6008		Daniel A. Doyle	Project Manager - Facilities	281-877-6760	281-877-6356	ddoyle@absconsulting.com,
2	Alta Tech / Pinkerton Team	120 Montgomery Street, Suite 715	San Francisco	CA	94104		Michael Lucas, P.E.	Presidnet	415-788-6000	415-788-6040	michael_lucas@atce.com,
3	Alfa Tech / Pinkerton Team	07 East Brokaw Road, Suite 300	San Jose	CA	05112		Jeff Finl, P.E.	CEO	408-436-6300	408-436-1511	jeff_finl@atce.com,
4	America Systems, Inc.	430 Mountain Avenue	Murray Hill	NJ	07974		Peter Klaus		908-790-1050 x-225	908-790-1055	pklaus@americasys.com,
5	Bartlett Support Services	60 Industrial Park Road	Plymouth	MA	02360		William Peuples	Vice President - Technical Programs	800-225-0385	407-331-0571	wpeoples@c0.rr.com,
6	Bearing Point (formerly KMPG Consulting)			CT			Rebecca Risley		800-297-5576		rerisley@bearingpoint.net,
7	Bearing Point (formerly KMPG Consulting)		Sacramento	CA			Eric Goto		916-626-6543		N/A
8	Booz Allen Hamilton	0283 Greensboro Drive	McLean	VA	22102				703-002-5000		communications@bah.com,
9	CH2M Hill	155 Grand Avenue, Suite 1000	Oakland	CA	94612		Daniel E. Johnson, P.E.	Project Manager	510-567-7605	510-622-0195	djohnso0@ch2m.com,
10	Ciber, Inc.		San Francisco	CA			Michael Lalliberte	Business Development Executive	415-675-1623	415-675-1601	mlaliberte@ciber.com,
11	Citigate Global Intelligence & Security	811 Wilshire Blvd., Suite 1650	Los Angeles	CA	90017		Sheila Berru	Director	213-943-4059		sheila.berru@citigategis.com,
12	Computer Sciences Corporation (CSC)	2100 East Grand Avenue	El Segundo	CA	90245				310-615-0311		generalinformation@csc.com,
13	Deloitte & Touche	180 North Stetson Avenue	Chicago	IL	60601-6779		Phillip Banks, PE, CPP	Senior Manager	312-946-2124	312-946-2000	pbanks@deloitte.com,
14	Deterrent Solutions International	16013 Waterfall Road	Haymarket	VA	20109		William "Rusty" Spearman	Director of Marketing and Sales	703-753-3800	703-753-0038	wrspearman@detsol.com,
15	Entropy Limited						Dr. Orley Munthe-Lindgren	Director EML/RMT			orley@attglobal.com,
16	Han-Padron Associates	5401 West Kennedy Blvd, Suite 700	Tampa	FL	33609		Len Cross	Manager, Maritime Security Department	813-909-7809	813-909-7940	lcross@han-padron.com,
17	Hudson Marine Management Services	2525 Cherry Avenue, Suite 125	Signal Hill	CA	90755		Laura Kovary		562-427-0222	562-427-0201	laura.kovary@hmms-usa.com,
18	IIT Research Institute	2118 Wilshire Boulevard, Suite 702	Santa Monica	CA	90403		Frank Cullen, Sr.		310-281-1908	310-828-0427	N/A
19	IIT Research Institute	10 West 35th Street	Chicago	IL	00016		Sidney I. Firstman, Ph D.	Senior Vice President for Corporate Development	312-567-4303	312-567-4007	sfirstman@iitri.org,
20	IIT Research Institute	2101 Executive Towers, Suite 5-G	Hampton	VA	23666		David C. Mock	Assistant V.P. Division Manager	757-690-1364	757-690-9052	dmock@iitri.org,
21	Lighthouse Maritime Security	6 Manor Court, Horsington, Templecombe	Somerset		BA8 0ET	United Kingdom	Andy Pillar	Senior Consultant	011-44-1903-371518	011-44-1903-371520	andy.pillar@lighthousems.com,
22	LiveWave, Inc.	350 Thames Street	Newport	RI	02840		Jamie Edgar	Senior Vice President	401-846-7076	401-846-7077	jedgar@livewave.tv,
23	Mehl, Griffin, Bartek Ltd	2001 Jefferson Davis Highway, Suit 800	Arlington	VA	22202		George Elliott Perry	Sales Support	703-413-5090 x-259	703-413-5097	gperry@mgbltd.com,
24	Parsons Brinckerhoff						Dick Madenburg	Homeland Security Contact			madenburg@pbworld.com,
25	Pure Technologies US Inc.	10015 Columbia Road, Suite B-215	Columbia	MD	21046		Mark Holley	Vice President	800-537-2000	410-309-7051	mailbox@soundprint.com,
26	R. Hahn & Co. Inc.	P.O. Box 299	Seal Beach	CA	90740		Patrick J. Webb	Partner	415-765-6400		pwebb@rhahninc.com,
27	Roger Peters		San Francisco	CA			Roger Peters		415-776-4337		rip-sf@pacbell.net,
28	Ross & Baruzzini	6 South Old Orchard	Webster Groves	MO	63119		Jeffrey W. Brown	Manager of Port Services	314-918-8383	314-918-1706	wwilko@rossbar.com,
29	Science Applications International Corporation (SAIC)	10260 Campus Point Drive	San Diego	CA	92121		Nancy F. Baildon		858-826-6000		nancy.f.baildon@saic.com,
30	Securewest International Incorporated	420 North Center Drive, Suite 208	Norfolk	VA	23502-4007		Earlotte Hannibal	General Manager (USA)	757-461-4343	757-461-8600	securewestgroup@compuserve.com,
31	Shaw Environmental & Infrastructure, Inc.	4005 Port Chicago Highway	Concord	CA	94520		Gerhard E. Locke, Ph.D, P.E.	Senior Technical Consultant	925-288-2409	925-827-2029	gary.locke@shawgrp.com,
32	Soza & Company, Ltd	8550 Arlington Boulevard	Fairfax	VA	22031		Jeanne D. LeFevre	Vice President, Systems Integration	703-560-9477	703-573-9026	jeanne_lefevre@soza.com,
33	Symonds Group Ltd	Wood Street, East Grinstead	West Sussex		RH19 1UU	United Kingdom	Paul Wadsworth		011-44-1342-327161	011-44-1342-315927	paul.wadsworth@symonds-group.com,
34	TRW Port Security Assessment Team		San Diego	CA			Ian Griffiths	Member of Project Team	571-437-1756		igriffiths_97@yahoo.com,
35	Unisys Public Sector						Bob Peck		310-204-9025		robert.peck@unisys.com,

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: **Port Security Grant to execute Security Enhancement Program.**
2. Department: **Port of San Francisco**

3. Contact Person: **Taline Sanassarian, Government Affairs** Telephone: **415-274-0417**

4. Grant Approval Status (check one):

[X] **Approved by funding agency** [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: **$500,000**

6a. Matching Funds Required: $ **100,000**
b. Source(s) of matching funds (if applicable): **Port of San Francisco**

7a. Grant Source Agency: **Department of Transportation**
b. Grant Pass-Through Agency (if applicable): **Transportation Security Administration**

8. Proposed Grant Project Summary:

The Port of San Francisco manages assets consisting of 7 ½ miles of urban waterfront properties with a wide array of uses and facilities, including container and bulk cargo terminals, a cruise ship terminal, ferry and excursion passenger terminals, a substantial ship repair yard and drydock, multiple layberths for Maritime Administration vessels, commercial fishing harbors, power plants, the western bast of the Bay Bridge, the landmark Ferry Building, the Pacific Bell Park, numerous harbor facilities, and world-renowned tourist attractions. The Security Enhancement Program would allow a full assessment of Port security needs. The objectives would determine what security threats, vulnerabilities and risks the Port should make a priority to address.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: **January 2003** End-Date: **April 2003**

10. Number of new positions created and funded: **None**

11. If new positions are created, explain the disposition of employees once the grant ends? **N/A**

12a. Amount budgeted for contractual services: **$500,000**
b. Will contractual services be put out to bid? **Yes**

c. If so, will contract services help to further the goals of the department's MBE/WBE

requirements? **Yes**

d. Is this likely to be a one-time or ongoing request for contracting out? **One-time**

13a. Does the budget include indirect costs? [ ] Yes **[X] No**

b1. If yes, how much?
b2. How was the amount calculated?
c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency **[X] To maximize use of grant funds on direct services**
[ ] Other (please explain): Port will charge indirect cost of staff time against $100,000 Port contribution.

14. Any other significant grant requirements or comments:

****Disability Access Checklist*****

15. This Grant is intended for activities at (check all that apply):

[X] Existing Site(s)
[ ] Rehabilitated Site(s)
[ ] New Site(s)

[X] Existing Structure(s)
[ ] Rehabilitated Structure(s)
[ ] New Structure(s)

[ ] Existing Program(s) or Service(s)
[X] New Program(s) or Service(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: WPL Director Mayor's Office on Disability
(Name)

Date Reviewed: 3 October 2002

Department Approval: PA Dailey Director of Maritime - on behalf of Doug Wong
(Name) (Title)

PA Dailey
(Signature)

Item 7 - File 02-1715

Department: Department of Public Health (DPH)
Department of Administrative Services, Real Estate Division

Item: Resolution authorizing a new lease of real property at 1305 and 1309 Evans Avenue on behalf of the Department of Public Health, Children's System of Care Program and Family Mosaic Project.

Location: The proposed lease is for the rental space at 1305 and 1309 Evans Avenue, located in the same building.

Purpose of Lease: To provide space for mental health services provided under DPH's Children's System of Care Program and Family Mosaic Project.

Lessor: John M. Holland, IV, Guy R. Holland and Barbara Holland.

Lessee: City and County of San Francisco, acting by and through the DPH

No. of Sq. Ft. and Cost Per Month: 12,690 square feet. From the commencement date of the proposed lease, which is anticipated to be January 1, 2003, until June 30, 2003, the City would pay a monthly rental rate of (a) $11,410 for the 8,390 square feet of space at 1309 Evans Avenue ($1.36 per square foot per month) and (b) $6,235 for the 4,300 square feet of space at 1305 Evans Avenue ($1.45 per square foot per month), or a total of $17,645 per month for the entire 12,690 square feet of space at 1305 and 1309 Evans Avenue. Beginning on July 1, 2003, the City would pay a monthly rental rate of $18,401 for the entire 12,690 square feet of space ($1.45 per square foot per month).

However, since the DPH is currently leasing 8,390 square feet of space at 1309 Evans Avenue for the Family Mosaic Project, this proposed new lease would result in 4,300 of net new leased space for the DPH.

Presently, the City is paying $1.36 per square foot per month for the 8,390 square feet of space at 1309 Evans

Avenue under an existing lease. For the six months in Fiscal Year 2002-2003, the rent under the proposed new lease would be $105,870 ($211,740 annually) for the total of 12,690 square feet of space at 1305 and 1309 Evans Avenue, or $17,645 per month, representing a combined average rate of $1.39 per square foot, for the six-month period from January 1, 2003 through June 30, 2003. On an annual basis beginning in FY 2003-2004, rent under the proposed new lease would be $220,812 for the 12,690 square feet of space, or approximately $18,401 per month, representing a rate of $1.45 per square foot, or an increase of approximately 4.3 percent over FY 2002-2003.

Annual Rent Increases: Rent would increase from an average rate of $1.39 per square foot in FY 2002-2003 to $1.45 per square foot in FY 2003-2004, representing a 4.3 percent increase in rent. The rate of $1.45 per square foot would remain in effect from July 1, 2003 through the remainder of the five-year lease term.

Term of Lease: Five years, commencing upon substantial completion of tenant improvements, anticipated to be on January 1, 2003, and expiring five years following the commencement date, or approximately December 31, 2007.

Right of Renewal: None. According to the terms of the proposed agreement, should the City continue to lease 1305 and 1309 Evans Avenue subsequent to the five year term, the lease would continue on a month-to-month basis either at the monthly rent in effect during the last month of the term of the lease or such rental as the Landlord and the City may mutually agree to in writing as a condition to Landlord's consent to such holding over on a month-to-month basis, subject to appropriation approval of the necessary funds by the Board of Supervisors.

Utilities and Janitorial Services: To be provided by the Landlord.

Tenant Improvements: Tenant improvements, as shown in Attachment I provided by DPH, would be fully paid by the Landlord at

an estimated cost of $10,000, according to Ms. Judy Schutzman of DPH.

Source of Funds: According to Ms. Schutzman, payments for the rent would be funded 60 percent from Federal and State revenues, and 40 percent from General Fund monies, subject to appropriation approval by the Board of Supervisors in the DPH annual budget. Of the total estimated annual cost of rent of $105,870 under the proposed new lease in Fiscal Year 2002-2003, 60 percent would be from State and Federal revenues or $63,522, and 40 percent, or $42,348, would be funded from the City's General Fund. Ms. Schutzman states in a memorandum to the Budget Analyst (Attachment II) that funds for this new lease are included in DPH's FY 2002-2003 budget as approved by the Board of Supervisors. Of the total estimated annual cost of rent of $220,812 in Fiscal Year 2003-2004, 60 percent would be funded from State and Federal revenues or $132,487, and 40 percent, or $88,325, would be funded from the City's General Fund, subject to appropriation approval by the Board of Supervisors.

Description: The proposed resolution would authorize the DPH to enter into a new five year lease of 12,690 square feet of space at 1305 and 1309 Evans Avenue for the Children's System of Care Program and the Family Mosaic Program. Ms. Schutzman reports that both the Children's System of Care Program and the Family Mosaic Project provide outpatient mental health services, individual counseling, and family counseling to children residing in San Francisco from low income families by integrating the services offered by the DPH, the Department of Human Services, the San Francisco Unified School District, and the Juvenile Probation Department.

As previously noted, DPH is presently leasing 8,390 square feet of space at 1309 Evans Avenue for the Family Mosaic Project.

According to Ms. Schutzman, the Children's System of Care Program is designed to provide services for children who are emotionally disturbed and in need of comprehensive mental health and social services. The Children's System of Care is designed to reduce the necessity for in-patient treatment and out-of-home

placement in a foster home or institution. Currently, the 25 employees of the Children's System of Care Program occupy 2,500 square feet of space at 3801 Third Street, or 100 square feet per employee. As discussed below in Comment No. 1, according to Ms. Schutzman, the DPH will continue to lease the 2,500 square feet of space at 3801 Third Street to alleviate overcrowding at 3801 Third Street. The 25 employees of the Children's System of Care Program would move from 2,500 square feet of space at 3801 Third Street to occupy 4,300 square feet of space at 1305 Evans Avenue, an increase of 72 percent or 1,800 square feet, providing an average of 172 square feet per employee.

The Family Mosaic Project is an out-patient mental health program which focuses its efforts on severely emotionally disturbed children who are at high risk of out-of-home placement due to a behavioral disorder. Currently, the 42 employees of the Family Mosaic Project occupy the 8,390 square feet of space at 1309 Evans Avenue under a 10-year lease that commenced July 1, 1993 at a cost of $1.36 per square foot per month. This existing 10-year lease terminates on June 30, 2003. Approval of the proposed new lease would result in the existing 10-year lease terminating approximately six months early, based on the anticipated commencement date of January 1, 2003 for the proposed new lease. Under the terms of the proposed new lease, the monthly rental rate under the existing lease of $1.36 per square foot per month for the same 8,390 square feet of space at 1309 Evans Avenue would remain in effect until June 30, 2003. As previously noted, on July 1, 2003, the monthly rental rate for the 8,390 square feet of space at 1309 Evans Avenue would increase from $1.36 per square foot to $1.45 per square foot, an increase of approximately 6.6 percent.

Ms. Schutzman advises that the proposed lease of 12,690 square feet, including the space at both 1305 and 1309 Evans Avenue, would accommodate the 25 employees of the Children's System of Care Program to be relocated from 3801 Third Street and the 42 employees of the Family Mosaic Project presently located at 1309 Evans Avenue, or a total of 67 DPH employees each with an average of 189.4 square feet of space. As previously noted,

approval of the proposed lease would increase the net amount of space leased by the City by 4,300 square feet at an annual cost of $74,820, or $1.45 per square foot.

Comments:

1. Currently, 80 DPH employees occupy a total of 14,825 square feet of space at 3801 Third Street. According to Ms. Schutzman, the 2,500 square feet of the 14,825 square feet of leased space at 3801 Third Street that would be vacated by the 25 employees of the Children's System of Care Program, who would move to the proposed 1305 Evans Avenue location, would be occupied by other DPH staff now occupying leased space at 3801 Third Street to assist in alleviating overcrowded conditions at 3801 Third Street, according to Ms. Schutzman. Ms. Schutzman states that, while 55 DPH staff (80 employees less the 25 employees moving to 1305 Evans Avenue) would continue to occupy a total of 14,825 square feet at 3801 Third Street, the average of 269.5 square feet per employee (14,825 square feet divided by 55 employees) is not representative of the state of overcrowding that exists at that location. Ms. Schutzman advises that the clients of DPH's Foster Care Mental Health Program and DPH's Child Crisis Unit, the two programs that would continue to occupy the 14,825 square feet of space at 3801 Third Street, have specialized needs for interview space, a play area for the children, group therapy rooms, and separate waiting areas for foster and natural parents. Therefore, at least 3,400 square feet of the 14,825 square feet is used for such purposes, according to Ms. Schutzman. Ms. Schutzman notes in Attachment II, "We currently have Foster Care staff tripled up in offices designed for two people. In addition, staff is sitting in the hallways because there is no available space in offices. State and Federal law require absolute confidentiality in the delivery of mental health services. Meeting this requirement has become increasingly problematic at the 3rd Street site."

2. Ms. Schutzman reports that, under the terms of the proposed lease, the DPH would receive 16 designated parking spaces for DPH employees who use their privately owned vehicles to make field visits to homes and schools.

3. Ms. Claudine Venegas of the Real Estate Division reports that the proposed monthly rental rate of $1.39 per

square foot in FY 2002-2003 and $1.45 for the balance of the five year term of this proposed new lease represents fair market value for comparable space in the area.

4. The DPH has estimated total one-time costs associated with moving 25 employees of the Children's System of Care Program from 3801 3rd Street to 1305 Evans Avenue of $4,000. The DPH has also estimated total one-time costs associated with minor office furnishings at 1305 Evans Avenue of $5,000. According to Ms. Schutzman, these one-time costs totaling $9,000 will be absorbed in DPH's previously approved FY 2002-2003 operating budget.

Recommendation: Approve the proposed resolution.

EXHIBIT C

1305 Tenant Improvements

1. Paint walls in the Premises that are not presently wall papered with paint of a color and quality mutually acceptable to Landlord and Tenant.

2. Carpet floors in interior of Premises that are presently carpeted (not those areas covered with linoleum or concrete) with carpeting of a color and quality mutually acceptable to Landlord and Tenant.

3. Install a partition with materials approved by City to divide the large office identified on Exhibit C-1 attached hereto.

4. Replace missing door hardware to match other hardware in the Premises.

5. Remove large interior window and replace with sheet rock, painted and finished to create a solid wall.

6. Conceal the lower portion of the large duct in the rear portion of the Premises by boxing it in with sheet rock, paint and finish said box.

7. Provide HVAC improvements as required to meet ASHRAE standards.

8. Provide a three (3) day "burn off" after painting and carpet installation.

City and County of San Francisco
Department of Public Health
Community Health Services

COMMUNITY MENTAL HEALTH SERVICES

Judith Schutzman, MPA
Operations Manager

1380 Howard Street, 5th Floor
San Francisco, CA 94103-2614
(415)255-3405 FAX (415)252-3015
Judy_Schutzman@sfdph.org

MEMORANDUM

Date: October 23, 2002

To: Anna LaForte
Budget Analyst's Office

From: Judy Schutzman

Subject: Evans Avenue Lease

Community Mental Health Services is proposing to lease 4,300 square feet of additional space a 1305 Evans Street to house the Children's System of Care (CSOC) program. This unit is currently located at 3801 3rd Street in space occupied by the Child Crisis unit and Foster Care Mental Health. When we first occupied the space at 3rd Street, CSOC consisted of only 5 staff. It has since grown to 25 and can no longer be accommodated at 3rd Street. The Foster Care program has also grown by 10 staff and we have received new grants that added 20 staff to the site.

3801 3rd Street is leased for $1.35 per square foot per month. CSOC occupies approximately 2,500 square feet. The vacated space will be used to relieve overcrowding. We currently have Foster Care staff tripled up in offices designed for two people. In addition, staff is sitting in the hallways because there is no available space in offices. State and Federal law require absolute confidentiality in the delivery of mental health services. Meeting this requirement has become increasingly problematic at the 3rd Street site.

The new space at Evans will be used for staff counseling offices and for client group activities. The Family Involvement Team provides organized support groups for parents and youth that may involve 25-30 participants at a time. There is also a program that meets weekly to work with at-risk teens in an effort to keep them out of the juvenile justice system.

Funds for this new lease (both the existing space and the new space) are included in the Department's 2002-2003 budget approved by the Board of Supervisors. Funds for moving expenses and minor furnishings are available in the current year appropriations for material and supplies and other services.

1305-09 Evans [page 2]

The current lease of 1309 Evans Avenue is a 10-year lease that commenced July 1, 1993 that will terminate on June 30, 2003. We are proposing to terminate that lease 6 months early.

Please let me know if you have additional questions.

Item 8 – File 02-1716

Department: Airport

Item: Resolution authorizing the Airport Commission to accept and expend grant funds in the amount of $3,503,877 from the U.S. Department of Transportation's Federal Aviation Administration for the purpose of reimbursing the Airport for extraordinary operating costs incurred as a result of the events of September 11, 2001 as authorized by the Aviation and Transportation Security Act of 2001.

Grant Amount: $3,503,877

Grant Period: September 12, 2001 through September 6, 2005 (approximately four years, see Comment No. 2).

Source of Funds: U.S. Department of Transportation Federal Aviation Administration (FAA) Airport Improvement Program (AIP)

Required Match: None.

Indirect Costs: Indirect costs have not been budgeted by the Airport (see Comment No. 3).

Description: The proposed resolution would authorize the Airport to accept and expend $3,503,877 from the Federal Aviation Administration (FAA) Airport Improvement Program (AIP) for the reimbursement of expenditures for new, additional and revised security requirements resulting from the events of September 11, 2001. The U.S. Transportation and Security Act of 2001 included provisions for airports to be partially reimbursed by AIP grants for security expenditures mandated by the FAA or found by the FAA to be reasonable expenditures for new, additional and revised security measures. According to Mr. Kevin Kone of the Airport, the subject grant of $3,503,877 is the Airport's portion of $175 million in AIP grant monies the FAA has provided to partially compensate airports nationwide for direct costs associated with security requirements since September 11, 2001.

Budget:

Attachment I is a summary of the budget contained in the Airport's application for the AIP funding for new, additional and revised security requirements from September 11, 2001 through September 30, 2002.

Comments:

1. The Airport requested reimbursement for a total of $9,899,046 in actual and projected new, additional or revised security requirements from September 11, 2001 through September 30, 2002 as shown in Attachment I. Mr. Kone reports that the FAA intended the AIP grant funds as partial reimbursement for airports nationwide. Mr. Kone further reports that of the $175 million in AIP grant monies allocated by the FAA nationwide for costs directly associated with security, the FAA determined that the San Francisco Airport's share was $3,503,877. Therefore, the Airport's remaining expenditures on security for the period from September 11, 2001 through September 30, 2002, estimated to be $6,395,169 ($9,899,046 less $3,503,877), have been expended from the Airport's operating budgets for FY 2001-2002 and FY 2002-2003 as previously appropriated by the Board of Supervisors.

2. The grant period is from September 12, 2001 through September 6, 2005, or approximately four years. According to Mr. Kone, the Airport believes additional funds for reimbursement of security expenditures from September 12, 2001 through September 30, 2002 may become available from the FAA. Therefore, Mr. Kone advises, the grant period is for a period of four years to enable the Airport to receive any additional grant monies that may become available. The acceptance and expenditure of any additional future grant monies for this purpose would be subject to Board of Supervisors approval.

3. According to Ms. Cathy Widener of the Airport, indirect costs have not been budgeted in accordance with the Lease and Use Agreement between the City of San Francisco and the airlines using San Francisco International Airport. That Agreement was previously approved by the Board of Supervisors in 1981.

4. Attachment II to this report is the Department's Grant Information Form, including the Disability Access Checklist.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Application Form for Additional AIP Funding ($175 million) For New Airport Security Requirements
Per USDOT/FAA Program Guidance Letter 02-4 for Section 119 of the Aviation and Transportation Security Act (S1147)

(ACI-NA Standardized Form – Approved by the FAA, as providing information identified in PGL 02-04)
Critical Submission Date: January 18, 2002

Section I. Eligible New, Additional or Revised Security Requirements & Direct Costs

(Definition – Costs that airports can specifically identify as being unique to new, additional, or revised security requirements imposed by the FAA or the TSA on or after September 11, 2001. Operational costs and small capital costs that have been or will be expensed are eligible. Amortized capital costs are not eligible for this special funding. Actual costs incurred after September 11 and estimated costs to be incurred in the future but no later than September 30, 2002 are eligible for funding consideration. *Note: If airports have increased fees, including rates and charges, to users of airports, the applications should also reflect that action. FAA would expect that an airport should not receive a grant for costs that have been recovered unless the airport provides a plan for rebating these reimbursements back to airport users providing the reimbursement from FAA.)

New, Additional, or Revised Security Requirement(s)	Actual Direct cost(s) incurred 9/11/01 – 1/18/02	Estimated Direct cost(s) to be incurred 1/18/02 – 9/30/02	Total Cost(s)	Has the airport recovered these costs through their rate base?	Does the airport have the ability to recover these costs through the rate base?
Increased Law Enforcement Officer personnel/overtime	$776,363	$1,819,459	$2,595,822	yes ☒ no	☒yes no
Increased other personnel/overtime	$1,169,612	$1,931,979	$3,101,591	yes ☒ no	☒yes no
Equipment, supplies, radios, badge stock, vehicles, etc.	$138,726	$ 513,000	$ 651,726	yes ☒ no	☒yes no
Temporary construction, facility modifications, barriers, etc.	$17,418	$ 100,000	$ 117,418	yes ☒ no	☒yes no
Outside services, contractor support, etc.	$961,097	$2,471,392	$3,432,489	yes ☒ no	☒yes no
Other:	$	$	$	yes ☒ no	☒yes no
Total	$3,063,216	$6,835,830	$9,899,046		

Please Note: To assure complete compliance, please refer to the attachment that enumerates the eligible project categories for this Security Grant Application and also submit under CFR 191.

File Number: ____________________

Grant Information Form
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Accept and Expend Grant Funds under the auspices of the Federal Aviation Administration and the Transportation and Security Act under the Department of Transportation in the amount of $3,505,877

2. Department: Airport Commission

3. Contact Person: Cathy Widener Telephone: (650) 821-5023

4. Grant Approval Status (check one):

   [X] Approved by funding agency [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: $3,503,877

6a. Matching Funds Required: none
 b. Source(s) of matching funds (if applicable): N/A

7a. Grant Source Agency: Federal Aviation Administration
 b. Grant Pass-Through Agency (if applicable): N/A

8. Proposed Grant Project Summary: Please Refer to Attachment A

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

   Start Date: September 12, 2001 End Date: September 6, 2005

10. Number of new positions created and funded: 0

11. If new positions are created, explain the disposition of employees once the grant ends? N/A

12a. Amount budgeted for contractual services: $3,503,877

 b. Will contractual services be put out to bid? (Yes, *if over $50,000*, according to FAA bid and contract procedures)

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? (Possible, but MBE/WBE goals do not apply to FAA contracts)

d. Is this likely to be a one-time or ongoing request for contracting out? One-Time

13a. Does the budget include indirect costs? [ ] Yes [X] No

b1. If yes, How much? `N/A
b2. How was the amount calculated? N/A

c. If no, why are indirect costs not included?
[ ] Not allowed by granting agency
[ ] To maximize use of grants funds on direct services
[X] Other (please explain): According to the Lease and Use Agreement between the City of San Francisco and major airlines using San Francisco International Airport, the Annual Service Payment made to the City shall constitute full satisfaction of all obligations of the Airport.

14. Any other significant grant requirements or comments: N/A

All projects reimbursed with funds from this grant must meet the requirements specified in the Aviation and Transportation Security Act of 2001

**** Disability Access Checklist****

15. This Grant is intended for activities at (check all that apply):

[X] Existing Site(s) [X] Existing Structure(s) [ ] Existing Program(s) or Service(s)

[ ] Rehabilitated Site(s) [ ] Rehabilitated Structures(s) [X] New Program(s) or Service(s)

[X] New Site(s) [X] New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability has reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability

Reviewer: ______________________________ (Name)

Date Reviewed: ______________________________

Department Approval:

RONALD J. FONG ADA PROGRAM MANAGER

(Name) (Title)

____

(Signature)

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA
94102-4689

Wednesday, November 13, 2002 — 12:30 PM — City Hall, Room 263

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Sophie Maxwell.

MEETING CONVENED

The meeting convened at 12:44 p.m.

021611 **[Actions being implemented by the Mayor's Office to minimize the current year's (2002-03) budget deficit]**

Supervisor Peskin

Hearing regarding actions being implemented by the Mayor's Office to minimize the current year's (2002-03) budget deficit, including the postponement of certain previously approved programs.

9/23/02, RECEIVED AND ASSIGNED to Finance Committee.

10/2/02, CONTINUED. Heard in Committee. Speakers: Ben Rosenfield, Mayor's Budget Office; Yvonne Mere; Female Speaker; Kevin Hickey, Jewish Vocational Services; John Avalos, Coleman Advocates for Children and Youth; Jill Fox; Margaret Brodkin, Director, Coleman Advocates for Children and Youth; Anita Moran, San Francisco Child Abuse Prevention Center; Male Speaker; NTanya Lee, Coleman Advocates for Children and Youth; Jill Pfeiffer, Oasis; Troy Arnold, Health Initiatives for Youth (HIFY); Linda Asato, Wu Yee Children's Services; Gaylon Logan, Jr., Executive Director, Infusion-One; Mai-Mai Ho, Asian Perinatal Advocates; Eric Mar, San Francisco Board of Education; Neil Gendel, Healthy Children Organizing Project; Julie Kavanagh, Visitacion Valley Community Center; Russell Murphy, President, Mission Youth Soccer League; Jim Richards, Boys and Girls Clubs, San Francisco; Andrew Scott, YMCA, Mission Branch; Hilary Weheitz (speaking on behalf of Teresa Gallegos), Coleman Advocates for Children and Youth; Mauricio Vela, Bernal Heights Neighborhood Center; Carlos Serrano-Quan, Community Youth Center (CYC); Maria Gustory; Rebecca Vilkomerson, Homeless Prenatal Program, Peoples Budget; Margaret Libby, Youth Leadership Institute; Emily Drebrow, Huckleberry Youth Programs, Children's Fund Citizens Advisory Committee; Hydra Mendoza, Executive Director, Parents for Public Schools; Jana S.; Cynthia Williams, Executive Director, Whitney Young Child Development Center; Sandra Fewer; Commissioner Tanene Allison, Chair, Youth Commission; Barbara Bell, Social Worker, Hearing Society; Rosa Pascual; Voss Luis Pavon, Coleman Advocates for Children and Youth; Salle Hopkins, SoMA Partnership; Joe Wilson, Coleman Advocates for Children and Youth; Brenda Lopez, Director, Department of Children, Youth and Their Families.
Continued to 11/13/02.

Heard in Committee. Speakers: Ben Rosenfield, Mayor's Budget Office; John Avalos, Coleman Advocates for Children and Youth; Margaret Brodkin, Director, Coleman Advocates for Children and Youth.

FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021354 [Special Funds - Children's Fund and Open Space Fund]

Supervisor Peskin

Hearing to address the Mayor's Office use of the special funds like the Children's Fund and Open Space Fund to balance the fiscal year 2002-03 Budget. The hearing will address how revenues for these funds can be better projected; and how the City can assure the public that these funds will not be used for such purposes again.

7/29/02, RECEIVED AND ASSIGNED to Budget Committee.

8/14/02, TRANSFERRED to Finance Committee. Request to transfer made by sponsor.

10/2/02, CONTINUED. Heard in Committee. Speakers: Ben Rosenfield, Mayor's Budget Office; Yvonne Mere; Female Speaker; Kevin Hickey, Jewish Vocational Services; John Avalos, Coleman Advocates for Children and Youth; Jill Fox; Margaret Brodkin, Director, Coleman Advocates for Children and Youth; Anita Moran, San Francisco Child Abuse Prevention Center; Male Speaker; NTanya Lee, Coleman Advocates for Children and Youth; Jill Pfeiffer, Oasis; Troy Amold, Health Initiatives for Youth (HIFY); Linda Asato, Wu Yee Children's Services; Gaylon Logan, Jr., Executive Director, Infusion-One; Mai-Mai Ho, Asian Perinatal Advocates; Eric Mar, San Francisco Board of Education; Neil Gendel, Healthy Children Organizing Project; Julie Kavanagh, Visitacion Valley Community Center; Russell Murphy, President, Mission Youth Soccer League; Jim Richards, Boys and Girls Clubs, San Francisco; Andrew Scott, YMCA, Mission Branch; Hilary Weheitz (speaking on behalf of Teresa Gallegos), Coleman Advocates for Children and Youth; Mauricio Vela, Bemal Heights Neighborhood Center; Carlos Serrano-Quan, Community Youth Center (CYC); Maria Gustory; Rebecca Vilkomerson, Homeless Prenatal Program, Peoples Budget; Margaret Libby, Youth Leadership Institute; Emily Drebrow, Huckleberry Youth Programs, Children's Fund Citizens Advisory Committee; Hydra Mendoza, Executive Director, Parents for Public Schools; Jana S.; Cynthia Williams, Executive Director, Whitney Young Child Development Center; Sandra Fewer; Commissioner Tanene Allison, Chair, Youth Commission; Barbara Bell, Social Worker, Hearing Society; Rosa Pascual; Voss Luis Pavon, Coleman Advocates for Children and Youth; Salle Hopkins, SoMA Partnership; Joe Wilson, Coleman Advocates for Children and Youth; Brenda Lopez, Director, Department of Children, Youth and Their Families.

Continued to 11/13/02.

Heard in Committee. Speakers: Ben Rosenfield, Mayor's Budget Office; Supervisor McGoldrick; John Avalos, Coleman Advocates for Children and Youth.

FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021705 [Mayor's Budget Instructions for Fiscal Year 2003-04]

Supervisor Peskin

Hearing on budget instructions promulgated by the Mayor's Office to City Departments for fiscal year 2003-04 budget. This hearing will be scheduled in advance of the release of these budget instructions and will include presentation from the Mayor's Budget Director on economic parameters that will guide the budget instructions, and provide for Board and public input into these instructions.

10/7/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Ben Rosenfield, Mayor's Budget Office; Supervisor McGoldrick; Glynn Washington; John Bardis; John Avalos, Coleman Advocates for Children and Youth; David Pilpel; Jackie Janks, Central City Hospitality House; Margaret Brodkin, Director, Coleman Advocates for Children and Youth; Jennifer Friedenbach, Coalition on Homelessness; Harvey Rose, Budget Analyst.

FILED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021704 **[Controller's Report on the City's Annual Budget Process]**

Supervisor Peskin

Hearing to review the Controller's report on the City's annual budget process, and its findings regarding potential improvements to the budget process.

10/7/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the October 16, 2002 meeting.

10/16/02, CONTINUED. Heard in Committee. Speakers: Supervisor McGoldrick; Edward Harrington, Controller; Phil Ginsberg, Deputy City Attorney; Adam Van de Water, Office of the Legislative Analyst, Board of Supervisors; Margaret Brodkin, Coleman Advocates; Harvey Rose, Budget Analyst; Ken Bruce, Budget Analyst's Office; Debra Newman, Budget Analyst's Office; Ben Rosenfield, Mayor's Budget Office; Gloria Young, Clerk of the Board.
Continued to 11/13/02.

Heard in Committee. Speakers: Edward Harrington, Controller; Supervisor McGoldrick; Ben Rosenfield, Mayor's Budget Office; David Pilpel; John Bardis; John Avalos, Coleman Advocates for Children and Youth; Paula Jesson, Deputy City Attorney.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021502 **[Requiring the Mayor to submit budget estimates, proposed budgets and revenue estimates for selected departments by the first working day of May]**

Supervisor McGoldrick

Ordinance amending Administrative Code Section 3.3 to require agencies, boards and commissions to submit budget estimates to the Controller by the 21st of January; require the Controller to consolidate and submit budget estimates to the Mayor by the first working day in February; require the Mayor to submit a preliminary budget to the Board of Supervisors by the first working day of March, and a proposed budget to the Board of Supervisors by the first working day of May; amending Administrative Code Section 3.4 to reflect the new deadline for submission of the Mayor's proposed budget to the Board of Supervisors.

8/26/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 9/25/2002.

9/26/02, TRANSFERRED to Rules and Audits Committee.

10/1/02, CONTINUED TO CALL OF THE CHAIR.

10/9/02, TRANSFERRED to Finance Committee.

10/16/02, CONTINUED. Heard in Committee. Speakers: Supervisor McGoldrick; Edward Harrington, Controller; Phil Ginsberg, Deputy City Attorney; Adam Van de Water, Office of the Legislative Analyst, Board of Supervisors; Margaret Brodkin, Coleman Advocates; Harvey Rose, Budget Analyst; Ken Bruce, Budget Analyst's Office; Debra Newman, Budget Analyst's Office; Ben Rosenfield, Mayor's Budget Office; Gloria Young, Clerk of the Board.
Continued to 11/13/02.

Heard in Committee. Speakers: Supervisor McGoldrick; Harvey Rose, Budget Analyst; Ben Rosenfield, Mayor's Budget Office; Edward Harrington, Controller; Ken Bruce, Budget Analyst; David Pilpel. Continued to 11/20/02.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance amending Administrative Code Section 3.3 to eliminate the requirement that the Mayor submit a preliminary budget to the Board of Supervisors, and requiring the Mayor submit budget estimates, proposed budgets and detailed estimates of revenues for selected departments by the first working day of May.

CONTINUED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021776 [Third Amendment to Moscone Project Lease]

Mayor

Resolution approving and authorizing the execution and delivery of a Third Amendment to the Project Lease; approving the issuance of the Redevelopment Agency of the City and County of San Francisco Lease Revenue Refunding Bonds, Series 2002 (George R. Moscone Convention Center); approving the form of an Official Statement with respect thereto; and authorizing and ratifying the execution and delivery documents necessary for the issuance, sale and delivery of the Bonds. (Mayor)

(No Public Benefit Recipient.)

10/21/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Mario Menchini, Redevelopment Agency; Ben Rosenfield, Mayor's Budget Office; Monique Moyer, Mayor's Office of Public Finance.
Amended on page 1, line 6, after "Center," by adding "providing that the principal amount of the Bonds to be issued shall not exceed an amount that will produce a net present value savings of at least three percent." Amended on page 2, line 22, by replacing "dated as of October 1, 2002" with "to become effective on the date of the issuance of the 2002 Refunding Bonds." Further amended on page 3, line 18, after "approved," by adding the following:
"provided, however, that the par amount of the 2002 Series Bonds issued shall not exceed an amount that will produce a net present value debt service savings of at least three percent of the refunded amount of $63,240,000 to defease a portion of the Series 1992 Lease Revenue Bonds, or at least $1,897,200."

AMENDED.

Resolution approving and authorizing the execution and delivery of a Third Amendment to the Project Lease; approving the issuance of the Redevelopment Agency of the City and County of San Francisco Lease Revenue Refunding Bonds, Series 2002 (George R. Moscone Convention Center); providing that the principal amount of the Bonds to be issued shall not exceed an amount that will produce a net present value savings of at least three percent; approving the form of an Official Statement with respect thereto; and authorizing and ratifying the execution and delivery documents necessary for the issuance, sale and delivery of the Bonds. (Mayor)

(No Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021808 [Compensation for Employees Called to Active Military Duty in Response to International Terrorism]

Mayor

Ordinance amending the 2002-2003 Annual Salary Ordinance to entitle City officers or employees called to active duty with a military reserve organization to receive from the City the difference between the amount of the individual's military pay and the amount the individual would have received as a City officer or employee had the individual worked his or her normal work schedule. (Mayor)

10/28/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Alice Villagomez, Deputy Director, Employee Relations Division, Department of Human Resources; Harvey Rose, Budget Analyst; Phil Ginsberg, Deputy City Attorney.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021752 **[Reserved Funds, Department of Children, Youth and their Families]**

Hearing to request release of reserved funds, Department of Children, Youth and their Families, fiscal year 2002-03 budget, in the amount of $700,000 to fund programs for the community-based organizations. (Mayor)

10/31/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Brenda Lopez, Director, Department of Children, Youth and Their Families; Supervisor Sandoval; Margaret Brodkin, Director, Coleman Advocates for Children and Youth. Continued to 11/20/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021754 **[Re-appropriating funding for three positions to operate and maintain audio, video and security systems]**

Ordinance re-appropriating $127,577 of existing funding for three positions to operate and maintain audio, video, and security systems by the Administrative Services - Convention Facilities Management for Fiscal Year 2002-2003, and Amending Annual Salary Ordinance for Fiscal Year 2002-03. (Controller)

(No Public Benefit Recipient; companion measure to File 021793.)

10/22/02, RECEIVED AND ASSIGNED to Finance Committee.

Corrine Mehigan, Building Manager, City Hall; Harvey Rose, Budget Analyst; Marsha Stroope, Deputy Director, Merit System Services Division, Department of Human Resources.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Maxwell

021793 **[Public Employment]**

Supervisor Gonzalez

Ordinance amending Ordinance No. 175-02 (Annual Salary Ordinance 2002/03) setting rates in the 2002-2003 Compensation Plan for two new classifications, establishing a budget for three positions, and deleting three positions in Convention Facilities for fiscal year 2002-03. (Human Resources Department)

(No Public Benefit Recipient.)

10/22/02, RECEIVED AND ASSIGNED to Finance Committee.

Corrine Mehigan, Building Manager, City Hall; Harvey Rose, Budget Analyst; Marsha Stroope, Deputy Director, Merit System Services Division, Department of Human Resources.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Daly
Absent: 1 - Maxwell

ADJOURNMENT

The meeting adjourned at 4:09 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

November 7, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: November 13, 2002 Finance Committee Meeting

Item 5 - File 02-1502

Note: This item was continued to the Call of the Chair at the October 1, 2002 Rules and Audits Committee Meeting and was then transferred to the Finance Committee. On October 16, 2002, the Finance Committee heard and continued this item to the November 13, 2002 Finance Committee Meeting.

Departments: Mayor's Office
Board of Supervisors
Controller's Office

Item: Ordinance amending Administrative Code Section 3.3 to require agencies, boards and commissions to submit budget estimates to the Controller by the 21st of January; require the Controller to consolidate and submit budget estimates to the Mayor by the first working day in February; require the Mayor to submit a preliminary budget to the Board of Supervisors by the first working day of March, and a proposed budget to the Board of Supervisors by the first working day of May; amending Administrative Code Section 3.4 to reflect the new deadline for submission of the Mayor's proposed budget to the Board of Supervisors.

Description: The proposed ordinance would amend the City's Administrative Code to move up the various deadlines for submission of the annual budget by one month.

Specifically, each City and County department, agency, board or commission is currently required to submit their annual budget estimates to the Controller's Office by February 21st of each year. Under the proposed ordinance, these annual budget estimates would be due from the departments to the Controller's Office by January 21st.

Currently, the Controller is then responsible for consolidating the annual budget estimates and transmitting this information to the Mayor by the first working day of March. Under the proposed ordinance, such budget estimates would need to be consolidated and transmitted to the Mayor by the first working day of February.

In FY 2001-02, the Mayor was responsible for transmitting a preliminary budget for FY 2002-03 to the Board of Supervisors by the first working day in April of 2002. Under the proposed ordinance, the Mayor would be responsible for transmitting a preliminary budget for the upcoming fiscal year by the first working day in March of each year.

Currently, the Mayor is responsible for transmitting the proposed annual budget, including detailed estimates of revenues and amounts required to meet bond interest and fixed charges, together with the Mayor's budget message and a draft annual appropriation ordinance, prepared by the Controller by the first working day of June of each year. Under the proposed ordinance, the Mayor would be responsible for transmitting these budget documents by the first working day of May of each year.

The proposed ordinance would also delete the current references to the existing timetable for budget submissions, which sunset on December 31, 2002.

The Board of Supervisors would continue to be required to adopt the interim appropriation and salary ordinances by June 30th, and to adopt the budget by the last working day of July of each year.

Comments:

1. This past year, the Mayor was responsible for transmitting a preliminary budget for FY 2002-03 to the Board of Supervisors by the first working day of April. In previous years, the Mayor's Office did not submit a preliminary budget to the Board of Supervisors. The Budget Committee of the Board of Supervisors then held 11 public hearings during April and May to consider the preliminary budget, and conducted 12 Town Hall meetings in the Supervisors Districts prior to the submittal of the Mayor's proposed budget on June 1st. As noted above, under the proposed ordinance, a preliminary budget for the upcoming year would need to be transmitted by the Mayor to the Board of Supervisors by the first working day of March, or one month earlier than this past year. The final budget would then need to be transmitted by the first working day of May, instead of the first working day of June, as has been previously required.

2. The Sponsor's Office of the proposed legislation advises that it is essential that the Board of Supervisors start their review of the Mayor's balanced budget earlier so that the public, the Board of Supervisors and the Board's supporting departments, including the Budget Analyst's Office and the Legislative Analyst's Office, have more time to review the budget and provide policy analyses.

3. The preliminary budget estimates for FY 2003-2004, as reported on August 13, 2002 by the Mayor's Budget Director, the Controller and the Budget Analyst, projected a budget shortfall of $149 million. Therefore, Ms. Katie Petrucione of the Mayor's Office advises that one of the primary concerns of the Mayor's Office is it would be difficult, especially in tight financial years as the

FY 2003-04 budget is anticipated to be, for the Mayor's Office to reduce the amount of time available to balance the City's annual budget because there would be (1) less time for actual expenditure and revenue data on which to base projections, (2) less reliable revenue estimates may result in more conservative projections, and greater expenditure reductions and/or fee increases than might be necessary, (3) greater likelihood of technical adjustments and other changes to the City's final budget, and (4) Memorandum of Understandings for employee compensation would not yet have been negotiated.

4. The Budget Analyst advises that the proposed ordinance to move up various dates of the annual budget transmittals should not, in and of itself, result in additional costs for the City.

5. On October 1, 2002, the Legislative Analyst's Office issued a report which researched the potential advantages and disadvantages of a biennial (two-year) budget cycle for San Francisco. This report included a survey of other jurisdictions that use biennial budgeting, legislative and implementation concerns and recommendations for the Board of Supervisors. The Legislative Analyst's Office concluded that enacting a biennial budget cycle in San Francisco is a policy matter for the Board of Supervisors.

6. On October 10, 2002, the Controller's Office issued findings and recommendations regarding potential changes to the City's budget process. The Attachment to this report identifies the eight recommendations contained in the Controller's report. The Controller's report includes (1) a recommendation to convert from an annual budget process to a two-year budget cycle with annual appropriations and (2) a recommendation to change the date that the Mayor is required to transmit the budget to the Board of Supervisors to May 15, instead of June 1, as is the current practice, or May 1, as is proposed in the subject ordinance. The Controller's Office does not recommend changing

any of the other dates of the current budget cycle, as is being proposed under this subject ordinance. Item 4, File 02-1704 of the Finance Committee's November 13, 2002 calendar is a hearing to review the entire Controller's report on the City's annual budget process and its findings and recommendations regarding potential improvements to the budget process.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Recommendations to Improve the Board's Budget Process

Based on these findings, the Controller recommends the following changes:

- The Board of Supervisors should expand its role in the budget process to include the development of policy priorities to guide the budget development;
- Adjust the Board of Supervisors' staffing either by increasing staff, or by reallocating staff and contract personnel and re-assigning workload to shift their work to policy analyses;
- Convert from an annual budget process to a two-year budget with an annual appropriation. The first year of a two-year budget should include policy hearings and full budget deliberations. The second year budget discussion should be limited to the changes proposed by the Mayor's Office to bring revenues in line with expenditures and the Board should hold hearings to evaluate departments' program performance.
- Coordinate with the Mayor and Controller's staff to provide budget information at a level that allows the public to understand and participate in policy decisions;
- Expand the use of the internet, and expand surveying and polling, data mining, and the use of the media in order to disseminate budget information;
- Increase the time that the Board considers the budget by revising the schedule to require the Mayor to transmit the budget to the Board of Supervisors on May 15;
- Redefine the budget amendment process to focus on service delivery rather than on increases to individual programs and agencies;
- Revise the budget amendment process to ensure that technical adjustments and add-backs are subject to the same review and approval as the rest of the budget.

Next Steps

Once the Board of Supervisors decides on a preferred budget process, the Board should draft legislation to incorporate the changes to its rules and to the Administrative Code. The Board should establish a committee structure and appropriate timelines for budget hearings and budget deliberations. Finally, the Board should revise its staffing and contract personnel, as well as the workload and focus to reflect the changes made to the budget process.

Item 6 - File 02-1776

Departments: Redevelopment Agency
Mayor's Office of Public Finance

Item: Resolution approving and authorizing the execution and delivery of a Third Amendment to the Project Lease between the City and the Redevelopment Agency; approving the issuance of the Redevelopment Agency of the City and County of San Francisco Lease Revenue Refunding Bonds, Series 2002 (George R. Moscone Convention Center); approving the form of an Official Statement with respect thereto; and authorizing and ratifying the execution and delivery documents necessary for the issuance, sale, and delivery of the Bonds.

Description: In 1986, the voters of San Francisco approved the issuance of $140,000,000 of Lease Revenue Bonds by the Redevelopment Agency to finance the construction of the Moscone Convention Center North. Although the City owns the Moscone Convention Center North facility, the Redevelopment Agency owns the land under the Moscone Convention Center North, located under Yerba Buena Gardens between 3rd and 4th Street on the north side of Howard Street. On March 1, 1988, the Redevelopment Agency entered into a 30-year lease agreement with the City and issued Lease Revenue Bonds (see below) for the financing of the Moscone Convention Center North construction project. Mr. Mario Menchini of the Redevelopment Agency advises that, under the terms of the 30-year lease agreement between the City and the Redevelopment Agency, which began on March 1, 1988 and terminates on May 17, 2018, the Redevelopment Agency is required to obtain Board of Supervisors approval for any amendments to the Project Lease between the City and the Redevelopment Agency and to issue and sell new lease revenue bonds.

The Redevelopment Agency issued the initial George R. Moscone Convention Center Lease Revenue Bonds, Series 1988, in the amount of $137,631,131 to fund construction of the Moscone Center North Convention Facility. Under the terms of the 30-year Project Lease, the City also pays the Redevelopment Agency $870,000 per year, through the year 2018, for the City's use of the land owned by the

Redevelopment Agency for the Moscone Convention Center North Facility. The Moscone Convention Center North Facility was completed in 1991 and opened in 1992. Both the 30-year Project Lease and the Lease Revenue Bonds terminate in 2018.

The Board of Supervisors approved the First Amendment to the Project Lease between the City and the Redevelopment Agency on February 1, 1992, authorizing the Redevelopment Agency to issue Lease Revenue Refunding Bonds, Series 1992 (George R. Moscone Convention Center) in the amount of $100,274,998 in order to refund the original Series 1988 Bonds at a lower interest rate. The $100,274,998 included $63,240,000 of Current Interest Lease Revenue Bonds and $37,034,998 of Capital Appreciation Lease Revenue Bonds. Current Interest Bonds pay interest semi-annually at a fixed interest rate, and are the subject of this proposed 2002 Bond Refunding. Capital Appreciation Bonds do not pay any interest, but rather accrete to a higher maturity value at a fixed yield, and cannot be called before their maturity, and therefore are not the subject of the proposed 2002 Bond Refunding.

On July 1, 2000, the Board of Supervisors approved the Second Amendment of the Project Lease, authorizing the Redevelopment Agency to replace approximately $14,000,000 in cash held in a reserve account with a Surety Bond, or insurance policy. By doing this, $14,000,000 was made available in 2000 the Moscone Center West Conference Facility project, which is currently under construction, according to Mr. Menchini.

The proposed resolution would approve the Third Amendment to the Project Lease between the City and the Redevelopment Agency, authorizing the Redevelopment Agency to issue Lease Revenue Refunding Bonds, Series 2002 (George R. Moscone Convention Center) in the amount of not to exceed $72,000,000 in order to refund the outstanding balance of $63,240,000 of Current Interest Lease Revenue Bonds from the 1992 Moscone Convention Center North Lease Revenue Bonds and to provide approximately $4,950,000 of additional revenues in 2002 for the Moscone Convention Center West construction project. Mr. Menchini advises that the

proposed 2002 Refunding Bonds would be secured by a lien on the Moscone Center North Convention Facility. Mr. Leonard Tom of the City's Convention Facilities advises that, similar to the current 1992 Refunding Lease Revenue Bonds, the debt service for the proposed 2002 Refunding Lease Revenue Bonds would be repaid from the Convention Facilities annual budget. Mr. Tom reports that the Convention Facilities budget is comprised of revenues received from leasing of the space and facilities at Moscone Center, supplemented by General Fund revenues.

According to Ms. Ribble, the outstanding amount of $63,240,000 of 1992 Moscone Lease Revenue Bonds have an interest rate of 6.768 percent and were issued with a 30-year term, with a final payment due on July 1, 2018. The proposed not to exceed $72,000,000 2002 Moscone Lease Revenue Refunding Bonds are estimated to have an interest rate of 4.275 percent and the bonds would have an approximately 15.5-year term with the final payment also due on July 1, 2018.

Attachment I, provided by Ms. Ribble, is a debt service comparison between the 1992 Moscone Lease Revenue Bonds and the proposed 2002 Moscone Lease Revenue Refunding Bonds. As shown in Attachment I, the principal and interest expenses for the old and new bonds are approximately the same, except in 2003 and 2004, such that the proposed refinancing of the 1992 Moscone Center North Lease Revenue Bonds will result in approximately $2,056,139 of net present value savings to the City, primarily resulting from the savings realized in 2003 and 2004. In addition, as shown in Attachment II, which is the Sources and Uses of the subject funds, approximately $4,950,000 of new money will be made available in 2002 from the proposed Refunding Bonds and deposited for use on the Moscone West Project (See Comment No. 6).

Comments:

1. If approved, Ms. Ribble advises that the proposed Series 2002 Lease Revenue Refunding Bonds are scheduled to be sold on approximately December 11, 2002. The proposed resolution states that these Lease Revenue Refunding Bonds would be sold at a maximum interest rate of eight percent. As noted above, Ms. Ribble

estimates that the actual interest rate will be approximately 4.275 percent. Ms. Ribble advises that the subject 2002 Refunding Bonds would be awarded to the broker or dealer who submitted the bid with the lowest total interest cost to the City. The proposed Series 2002 Bonds' final maturity date is scheduled to be July 1, 2018, a term of approximately 15.5 years.

2. Attachment II shows the actual and projected sources and uses of the proposed $72,000,000 Moscone Convention Center Refunding Series 2002 Bonds. As shown in Attachment II, the estimated cost of issuance of the proposed $72,000,000 Moscone Center Refunding Lease Revenue Bonds is approximately $250,000. Ms. Ribble advises that this cost of issuance would be paid from the bond proceeds.

3. Ms. Ribble advises that the exact amount of the proposed 2002 Moscone Center Refunding Lease Revenue Bond issuance will not be known until the date of the sale of the Moscone Center Lease Revenue Refunding Bonds, as the interest rate will affect the aggregate principal amount needed to fund the refunding. However, Ms. Ribble advises that it is standard industry practice that issuance of refunding bonds should result in a debt service savings of at least three percent of the bonds to be refunded, which in this case for the 1992 Lease Revenue Refunding Bonds is $63,240,000, or at least $1,897,200. In order to assure debt service savings of at least three percent, the Budget Analyst recommends that the proposed resolution be amended by adding the following provision:

> "further provided, that the par amount of the refunding bonds issued shall not exceed an amount that will produce a net present value debt service savings of at least three percent of the refunded amount of $63,240,000 to defease the Series 1992 Lease Revenue Bonds, or at least $1,897,200."

Ms. Ribble concurs with the Budget Analyst's recommendation.

4. The proposed resolution states that the Third Amendment to the Project Lease between the Redevelopment Agency and the City would be effective October 1, 2002. However, the Budget Analyst's review of the actual lease document indicates a date of November 1, 2002. Mr. Menchini advises that the Project Lease would actually become effective on the date of the sale and issuance of the 2002 Refunding Bonds. Therefore, the Budget Analyst recommends that the proposed resolution be amended to reflect the actual intent that the subject Project Lease would become effective on the date of the issuance of the 2002 Refunding Bonds.

5. According to Mr. Ben Rosenfield of the Mayor's Office, the estimated savings of $4,950,000 in 2002 and approximately $2,056,139 in 2003 and 2004 generated by the proposed Lease Revenue Refunding Bonds will flow to the City's General Fund through avoided pay-as-you-go costs on the Moscone Convention Center West Facility construction project. However, Mr. Menchini advises that the City still owes the Redevelopment Agency $870,000 for the ground lease payment that was due in May of 2002, which has not yet been paid. As a result, Mr. Menchini advises that this $870,000 ground lease payment would be deducted from the estimated $4,950,000 made available from the proposed 2002 Bond Refunding, such that the City would actually receive an estimated $4,080,000 ($4,950,000 less $870,000) when the 2002 Bonds proceeds are received. Mr. Tom advises that due to losses in Hotel Tax revenues in Fiscal Year 2001-2002, the Convention Facilities received approximately $11.7 million less revenues in FY 2001-2002 than would otherwise have been realized and therefore deferred the payment to the Redevelopment Agency for the Moscone Convention Center North ground lease.

6. The Moscone Center West Convention Facility, which is located at Howard and Third Streets, is currently under construction and is scheduled for completion by the Spring of 2003. This new facility will add approximately 300,000 square feet of leaseable space to the Moscone Center complex. Mr. Tom advises that Moscone Convention Center North currently has approximately 300,000 square feet and Moscone Convention Center

South has another 300,000 square feet of leaseable space, or a total of 600,000 square feet. As noted above, the subject 2002 Lease Revenue Refunding Bond will provide approximately $4,950,000 of available funds in 2002 with an additional approximately $2,056,139 available primarily in 2003 and 2004 for the Moscone Convention Center West Facility construction project.

Recommendations:

1. In accordance with Comment No. 3 above, amend the proposed resolution to require that the par amount of the Moscone Convention Center North Lease Revenue Refunding Bonds to be issued by the Redevelopment Agency shall not exceed an amount that will produce a net present value savings of at least three percent of the $63,240,000, or at least $1,897,200 of the outstanding balance of the 1992 Lease Revenue Bonds to be refunded.

2. Amend the proposed resolution to change the effective date of the proposed lease to be the date when the 2002 Moscone Refunding Bonds are issued, in accordance with Comment No. 4.

3. Approve the proposed resolution, as amended.

Attachment I

Preliminary

Redevelopment Agency of The City and County of San Francisco
Lease Revenue Bonds, Refunding Series 2002
(George R. Moscone Convention Center)

DEBT SERVICE COMPARISON

Date	Total P+I	Net New D/S	Old Net D/S	Savings
7/01/2003	1,684,151.88	1,684,151.88	3,478,200.00	1,794,048.12
7/01/2004	3,287,117.50	3,287,117.50	3,478,200.00	191,082.50
7/01/2005	3,475,517.50	3,475,517.50	3,478,200.00	2,682.50
7/01/2006	3,475,105.00	3,475,105.00	3,478,200.00	3,095.00
7/01/2007	3,478,005.00	3,478,005.00	3,478,200.00	195.00
7/01/2008	3,473,435.00	3,473,435.00	3,478,200.00	4,765.00
7/01/2009	3,477,055.00	3,477,055.00	3,478,200.00	1,145.00
7/01/2010	3,473,530.00	3,473,530.00	3,478,200.00	4,670.00
7/01/2011	3,477,915.00	3,477,915.00	3,478,200.00	285.00
7/01/2012	3,475,145.00	3,475,145.00	3,478,200.00	3,055.00
7/01/2013	3,475,650.00	3,475,650.00	3,478,200.00	2,550.00
7/01/2014	9,588,822.50	9,588,822.50	9,593,200.00	4,377.50
7/01/2015	16,292,572.50	16,292,572.50	16,296,875.00	4,302.50
7/01/2016	16,295,892.50	16,295,892.50	16,298,350.00	2,457.50
7/01/2017	16,295,902.50	16,295,902.50	16,299,950.00	4,047.50
7/01/2018	16,294,252.50	16,294,252.50	16,294,475.00	222.50
Total	111,020,069.38	111,020,069.38	113,043,050.00	2,022,980.62

PRESENT VALUE ANALYSIS SUMMARY (NET TO NET)

Gross PV Debt Service Savings	2,055,332.77
Net PV Cashflow Savings @ 4.275%(AIC)	2,055,332.77
Contingency or Rounding Amount	806.70
NET PRESENT VALUE BENEFIT	$2,056,139.47
NET PV BENEFIT / $63,240,000 REFUNDED PRINCIPAL	3.251%
NET PV BENEFIT / $72,000,000 REFUNDING PRINCIPAL	2.856%

Backstrom McCarley Berry & Co., LLC
Public Finance

File = CONVENTION CENTER.SF-Term 02 TP L U 10- SINGLE PURPOSE
10/ 2/2002 1:58 PM

Preliminary

Redevelopment Agency of The City and County of San Francisco
Lease Revenue Bonds, Refunding Series 2002
(George R. Moscone Convention Center)

SOURCES & USES

Dated 12/01/2002 Delivered 12/01/2002

SOURCES OF FUNDS	
Par Amount of Bonds	$72,000,000.00
TOTAL SOURCES	$72,000,000.00
USES OF FUNDS	
Total Underwriter's Discount (0.600%)	432,000.00
Costs of Issuance	250,000.00
Gross Bond Insurance Premium (45.0 bp)	499,590.31
DRSF Surety	144,000.00
Deposit to Current Refunding Fund	65,723,602.99
New Money Deposit to Project Fund	4,950,000.00
Rounding Amount	806.70
TOTAL USES	$72,000,000.00

Item 7 – File 02-1808

Department: Department of Human Resources

Item: Ordinance amending the FY 2002-2003 Annual Salary Ordinance to entitle City officers and City employees (City employees) called to active duty with a military reserve organization to receive from the City the difference between the amount of the City employee's military pay and the amount which the employee would have received as a City employee had the employee worked his or her normal work schedule for the City.

Description: The proposed ordinance amending the FY 2002-2003 Annual Salary Ordinance would authorize:

- Supplementation of gross military pay (the difference between the employee's military pay and the employee's City pay) for a period not to exceed 180 calendar days for any City officer or employee (City employee) who is a member of the reserves of the United States Armed Forces, National Guard or other uniformed service organization of the United States, if such City employee was or is called into active military service in response to the September 11, 2001 terrorist attacks, international terrorism, or other related extraordinary circumstances.
- The establishment of eligibility guidelines and limitations for supplementation of gross military pay such as the employee must be called to active military service for a period of more than 30 consecutive days; and the purpose of the call to active military duty must be in response to the September 11, 2001 terrorist attacks, international terrorism, or other related extraordinary circumstances.
- The execution of an agreement between the City and each applicable City employee to provide that the supplementation of gross military compensation paid to such City employees is considered to be a loan if the City employee called to active military reserve duty does not return to work for the City within 60 days of release from the employee's active military duty. In the event that a City employee is not fit for employment with the City at the time he or she is released from active military duty, the supplementation of gross military compensation paid to such City employees is considered to be a loan instead

of compensation if the City employee does not return to work for the City within 60 days of a subsequent determination that he or she is deemed fit to return to City employment. The loan would be payable, by such City employees to the City with interest in equal monthly installments not to exceed five years, commencing 90 days after release of the City employee from active duty or return to fitness for City employment if the employee does not return to work for the City.

The Board of Supervisors previously approved an Amendment to the FY 2001-2002 Annual Salary Ordinance, in October of 2001, which provided supplementation of gross military pay for any City officer or employee called into active military service (Ordinance 222-01). This proposed ordinance is identical to the prior Amendment to the Annual Salary Ordinance except that it applies to City employees called into active military service in response to international terrorism in addition to those City employees called into active military service in response to the September 11, 2001 terrorist attacks and other related extraordinary circumstances. Mr. Ginsburg advises that in accordance with Charter Section A8.400(h), the Board of Supervisors must approve a new ordinance each year for the supplementation of military pay to be part of the Annual Salary Ordinance in that year. All conditions and limitations of the subject ordinance, as summarized above, and as explained further below, are required by Charter Section A8.400 (h) except that under this proposed ordinance, the purpose of the call to active duty must be in response to the September 11, 2001 terrorist attacks, international terrorism or other related extraordinary circumstances.

Comments:

Conditions and Limitations of the Proposed Ordinance

1. To be eligible for supplementation of gross military pay, the City employee must meet the following conditions: (1) the employee must be called to active service for a period of more than 30 consecutive days; and (2) the purpose of the call to active duty must be in response to the September 11, 2001 terrorist attacks, international terrorism, or other related extraordinary circumstances.

2. As explained previously, the proposed ordinance provides that if a City employee does not return to work with the City within 60 days, the supplemental pay would be considered a loan, payable with interest to the City. Any supplemental pay that is subsequently considered a loan would be payable, by such City employees to the City with interest in equal monthly installments not to exceed five years, commencing 90 days after release of the City employee from active duty or return to fitness for City employment. The interest rate on the loan would be payable at a rate equal to the greater of (i) the rate of interest received for the concurrent period by the Treasurer's Pooled Cash Account; or (ii) the minimum amount necessary to avoid imputed income under the Internal Revenue Service Code of 1986, as amended from time to time or any successor statute. Ms. Pamela Levin of the Controller's Office advises that any monies from the repayment of such loans would return to the Fund from which it was originally paid. For example, if the supplemental pay came from the General Fund, the monies from the loan would be returned to the General Fund, according to Ms. Levin.

3. The proposed ordinance would provide, to applicable City employees, supplementation of gross military pay for a period not to exceed 180 days or six months. During the 180 day period, the amount of gross supplemental salary paid to such City employees called into active military service would be offset by all military pay received by such City employees in order that there be no double payment of gross salary to a City officer or employee.

<u>Compensation under the proposed ordinance</u>

4. For the period not to exceed 180 calendar days, a City employee called to active duty with a military service organization would receive, all benefits to which the City employee would have been entitled had he or she not been called to active duty except as limited by State law or the City Charter, in addition to the difference in pay between the employee's gross military pay and the employee's gross pay as a City Officer or employee had the City employee worked his or her normal schedule. Such benefits would include, sick leave, vacation time, annual step increases and general wage increases, health benefits, retirement service credit and the

employer-paid mandatory employee retirement contributions. Under the City Charter and State law, employees would not be eligible for service-related death benefits, service-related disability retirements or workers compensation benefits while on paid military leave.

<u>Costs</u>

5. The Controller's attached memorandum states that according to the Department of Human Resources the proposed ordinance is expected to impact approximately 16 current City employees. The Controller reports that the proposed amendment to the FY 2002-2003 Annual Salary Ordinance would result "in minor costs to the City" since the affected City employees are already on the payroll. However, the Controller states in the Attachment that there may be a cost to backfill some positions on overtime, but that this cost would be offset by the savings from not paying the full salary of the reservists. According to the Controller, to the extent that the positions are not backfilled, there may be a loss in productivity that cannot be estimated at this time. Ms. Levin states that the Controller's Office is unable to assess the actual costs which were incurred by the City in FY 2001-2002 as a result of the prior Amendment to the FY 2001-2002 Annual Salary Ordinance to provide for supplementation of gross military pay because such supplemental pay is coded similarly to time for routine military leave in the City's payroll system.

6. According to Mr. Ginsburg, it is not certain as to how many City employees and officers are reservists or which City employees and officers will be called into active duty. Also, the military pay for such City employees called into active duty with a military service organization is not known at this time.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Edward Harrington
Controller

Monique Zmuda
Deputy Controller

November 4, 2002

Ms. Gloria L. Young, Clerk of the Board
Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: File Number 021808
Ordinance Amending the 2002-2003 Annual Salary Ordinance to Entitle City Officers or Employees Called to Active Duty with a Military Reserve Organization to Receive From the City the Difference Between the Amount of the Individual's Military Pay and the Amount the Individual Would Have Received as a City Officer or Employee Had the Individual Worked His or Her Normal Work Schedule

Dear Ms. Young:

In accordance with Ordinance 92-94, I am submitting a cost analysis of an ordinance amending the 2002-2003 Annual Salary Ordinance to provide for compensation for employees called to active military duty in response to the September 11th, 2001 terrorist attacks.

The amendment is effective from the date of approval through the end of the fiscal year. It provides for compensation for the difference between the military pay and the regular salary for any city officer or employee who is a member of the reserve corps of the United State Armed Forces, National Guard or other uniformed service organization of the United States who is called into active military service in response to the September 11th terrorist attacks. According to the Human Resources Department, the amendment is expected to impact approximately 16 individuals.

Based on our analysis, the amendment will result in minor costs to the City since the affected individuals are already on the payroll. There may be a cost to backfill the reservists on overtime; however, this cost is expected to be offset by the savings from not paying the full salary of the reservists. In addition, to the extent the positions are not backfilled, there may be a loss in productivity that cannot be estimated at this time.

If you have additional questions or concerns please contact me at 554-7500 or Pamela Levin of my staff at 554-7554.

Sincerely,

Pamela Levin for

Edward M. Harrington
Controller

cc: Alice Villagomez, ERD
Harvey Rose, Budget Analyst

415-554-7500 City Hall • 1 Dr. Carlton B. Goodlett Place • Room 316 • San Francisco CA 94102-4694 FAX 415-554-7.

Item 8 - File 02-1752

Department: Department of Children, Youth and Their Families (DCYF)

Item: Hearing to request the release of reserved funds in the amount of $700,000 to fund programs for nonprofit Community-based organizations.

Amount: $700,000

Source of Funds: General Fund monies appropriated and reserved by the Board of Supervisors in the DCYF FY 2002-2003 budget.

Description: In the FY 2002-2003 budget, the Board of Supervisors appropriated $1,700,000 for the DCYF to be used for nonprofit community-based organizations. Of the $1,700,000 appropriation, the Board of Supervisors specifically added $700,000 to the Mayor's Recommended FY 2002-2003 budget to fund community-based organizations, which the Department is now requesting be released.

According to Mr. Ken Bukowski of DCYF, the entire $1,700,000 will be allocated to nonprofit community-based organizations for one-time needs. The nonprofit community-based organizations are being selected through a single competitive Request for Proposals (RFP) process. The attached memorandum (Attachment I) provided by Ms. Nani Coloretti of DCYF contains (a) additional background information on this subject request for the release of $700,000, (b) a description of the RFP process, and (c) a description of the process used to select the nonprofit community-based organizations to receive allocations from the total available funds of $1,700,000.

Budget: According to Mr. Bukowski, none of the $1,700,000 has been allocated to nonprofit community-based organizations to date.

Comments:

1. According to Mr. Bukowski, DCYF received responses to its RFP from the 189 nonprofit community-based organizations listed in Attachment II. Such requests total $10,810,033 or $9,110,033 more than the available funding of $1,700,000.

2. As previously noted, no allocations have been made out of the entire available $1,700,000 (including this request of $700,000) previously appropriated by the Board of Supervisors in FY 2002-2003 for nonprofit community-based organizations. In the professional judgement of the Budget Analyst, the subject reserved funds in the amount of $700,000 should not be released until DCYF has submitted a report to the Board of Supervisors which accounts for the entire $1,700,000 Board of Supervisors appropriation. This report should include (a) identification of the nonprofit community-based organizations selected, (b) the amount of the allocation to each nonprofit community-based organization, and (c) a description of the proposed expenditures for each nonprofit community-based organization.

3. Ms. Coloretti explains in her memorandum (Attachment I) why DCYF does not believe it is necessary to provide the Board of Supervisors with the report information recommended by the Budget Analyst in Comment No. 2 above prior to the DCYF allocations of the $1,700,000 to the nonprofit community-based organizations.

Recommendation: Continue to reserve the requested release of $700,000 in accordance with Comment No. 2 above.

DEPARTMENT OF CHILDREN,
DCYF
YOUTH AND THEIR FAMILIES

Willie L. Brown, Jr.
Mayor

Brenda Lopez
Director

DATE: November 7, 2002

TO: Budget Analyst

FROM: Nani Coloretti, Director of Budget and Planning

SUBJECT: Request to Release Reserved Funds

Pursuant to your request, the Department of Children, Youth and Their Families (DCYF) hereby submits this memorandum in support of its request to release reserve funds in the amount of $700,000 to fund nonprofit community-based programs.

History and Proposed Use of DCYF Reserved Funds

During the FY 2002-2003 appropriation process, $700,000 of the general fund monies appropriated to DCYF was placed on reserve pursuant to an amendment introduced by Supervisor Sandoval during the Board of Supervisors' review of the budget. Our understanding is that the primary reason for placing the $700,000 on reserve was to allow for a more public process to determine the best way to expend the funds, rather than rely on the more limited decision-making process of considering specific add-back requests made to individual Supervisors. Thus, $700,000 was placed on reserve for the purpose of supporting citywide programs for children and youth, with the understanding that the funds would be released after DCYF obtained additional community input as to the best way to target expenditure of these monies.

Having completed a discussion among various stakeholders as to the best way to expend the $700,000 placed on reserve, DCYF now requests release of these funds so they may be expended (along with $1,000,000 in Children's Fund dollars) on grants to community-based organizations that have one-time expenditure needs. The decision to utilize the reserve funds and Children's Fund dollars in this manner is based on input provided from our Community Needs Assessment and meetings of the Children's Fund Citizen's Advisory Committee. The input received from various children and youth stakeholders through this public process helped DCYF determine the funding areas to prioritize for both the reserved funds ($700,000) and the additional Children's Fund dollars ($1,000,000).

Process Used for Determining Community-Based Organizations to Receive Funding

DCYF issued a Request for Proposals (RFP) on September 10, 2002, requesting proposals from community-based organizations which had one-time expenditure needs such as: operational shortfalls due to loss of funding (short term stabilization assistance to maintain services with identified future funding sources), agency capacity building (e.g. fundraising, strategic planning), capital expenditures (renovations), transportation, furniture/fixtures or one-time events. Availability of the RFP was advertised in the Independent, through the Board of Supervisors, on DCYF's website and with a mailing to approximately 2,000 youth and children service contacts maintained by DCYF. The RFP provided that agencies serving children, youth and families could request up to $75,000 for one-time use in the areas detailed above.

Responses to the RFP were due by September 30, 2002. DCYF received 189 complete proposals in response to the RFP, with the requests for one-time funding cumulatively totaling more than $10 million. In

1390 Market Street, Suite 900 • San Francisco, CA 94102 • Tel 415.554.8990 • Fax 415.554.8965 • TTY 415.934.4847 • www.dcyf.org

order to determine which community-based organizations would be selected to receive grants, DCYF utilized a citizen review team. The review team, which included members of the Children's Fund Citizens' Advisory Committee and people with expertise in youth services and budgeting, ranked each proposal and made consensus recommendations to DCYF. All proposals were scored on:

- ✓ Completion of all required forms and adherence to submission instructions;
- ✓ Compelling statement of need;
- ✓ Linkage of expense to improved program delivery;
- ✓ Reasonable budget.

DCYF staff reviewed the recommendations of the citizen review team to ensure that there was geographic, population and service diversity in the proposed funding allocation. DCYF may also use interviews and site visits as evaluation methods prior to awarding contracts.

DCYF has completed the process of reviewing the 189 proposals received in response to the RFP. We are awaiting the release of the reserved funds before announcing individual grant amounts and entering into contract negotiations with the organizations. However, the grant selection process for the Children's Fund dollars has been completed in order to ensure this funding can be utilized by community organizations at the earliest possible date.

Request to Release Reserve Funds

During budget discussions earlier this year, Board of Supervisors members indicated that it was better public policy for expenditure decisions to be based on a public process that examined neighborhood needs and gaps in services rather than specific add-back requests to individual Supervisors. Thus, $700,000 in general fund monies appropriated to DCYF was placed in reserve so that DCYF could receive additional input from community stakeholders and determine the best use of these funds. As requested, DCYF has conducted this process by utilizing the extensive community input that was part of the Community Needs Assessment and by determining priority needs with the assistance of the Children's Fund Children's Advisory Committee. This process resulted in a decision to fund one-time expenditures of community-based organizations based on a competitive RFP process to decide which specific organizations would receive funding.

The recommendation of the Budget Analyst that a detailed list of proposed grantees and grant amounts be made public (and open to debate) prior to the release of the reserved funds would appear to defeat the policy intent of the Board in seeking to ensure the use of these funds was decided based on a public process that broadly examined community needs. The release of a proposed grantee list would likely result in individual organizations that have not have been selected for funding through this competitive process demanding that their specific requests now be considered outside of the public process that has already taken place. Reopening the process in this manner would not appear to be supported by the policy discussion that occurred when these funds were initially placed on reserve.

It is also important that there be no further delay in allocating these funds to community-based organizations, particularly considering that many of the requests were for funds to ensure that services to children and youth would not be cut back during this fiscal year. It is in the best interest of maintaining children and youth services that the release of these funds be expedited so that the money can get out into the community to meet the immediate needs, such as those articulated by community-based organizations at the October Finance Committee meeting.

Thank you for your assistance in expediting the release of these funds so we can address the critical needs in our communities.

List of 189 Organizations Requesting One-Time Funds from DCYF

Agency Name	Request Amount
A Home Away From Homelessness	$45,000
African American Art and Culture Complex	$75,000
After School Enrichment Program	$41,782
Alemany Resident Mgmt. Corp.	$75,000
Allen Community Development Corp.	$75,000
Ark of Refuge, Inc	$75,000
Asian Perinatal Advocates	$75,000
Asian Women's Shelter	$75,000
Back on Track	$51,375
Bay Area Girls Center	$35,000
Bay Area Network for Diversity Teaching in Early	$62,317
Bayview Hunter Point Foundation for Com. Imp.	$57,809
Bayview Opera House, Inc.	$75,000
Bernal Heights Neighborhood Center	$63,275
Booker T. Washington Community Service Ctr.	$75,000
Brava! For Women in the Arts	$74,972
Brothers Against Guns, Inc	$75,000
California Community Dispute Services	$45,510
California Lawyers for the Arts	$53,625
CARECEN	$75,000
Career Resources Development Center	$41,159
Center for Human Development	$44,585
Center for Young Women's Development	$67,372
Charity Cultural Services Center	$9,562
Child Care Law Center	$74,980
Children of Lesbians & Gays Everywhere COLAGE	$56,490
Children's Day School, Inc.	$74,180
Chinatown Community Development Center	$55,000
Civic Center Child Care Corportation	$75,000
Community Alliance for Special Education	$13,750
Community Brd Prgrm Juv. Victim Offender (JVORP)	$75,000
Community Housing Partnership	$41,000
Community Music Center	$70,056
Community Network for Youth Development	$50,000
Community Works	$40,822
Compass Community	$24,922
Cross Cultural Family Center	$75,000
Donaldina Cameron House	$56,256
Economic Opportunity Council of San Francisco	$75,000
Edgewood Center for Children and Families	$75,000
Ella Hill Hutch Community Center	$74,842
Enterprise for High School Students	$48,060
Everychild Can Learn Foundation	$74,970
Family Restoration House	$75,000
Family Service Agency of San Francisco	$56,919
Family Support Services of the Bay Area	$29,750
Filipino American Arts Exposition	$67,600
Florence Crittenton Services	$75,000
FranDelJA Enrichment Center	$75,000

Friends of Recreation and Parks		$63,169
Friends of St. Francis Childcare Center		$75,000
Gateway High School		$58,967
Gatinell's Tender Loving Care Residence		$75,000
Girls After School Academy		$75,000
GirlSource, Inc.		$34,360
Glenridge Cooperative Nursery School		$7,220
Glide Foundation/Glide Memorial United Methodists		$74,955
Good Samaritan Family Resource Center		$43,155
Gum Moon Residence Hall		$44,165
Health Initiatives for Youth		$49,916
Hearing Society of the Bay Area, Inc.		$22,326
Holy Family Day Homes of San Francisco		$73,119
Homeless Children's Network		$74,745
Homeless Prenatal Program (HPP)		$63,000
Horizons Unlimited of San Francisco, Inc.		$30,450
Huckleberry Youth Programs		$50,000
Hunters Point Boys & Girls Club		$62,650
Idris Ackamoor and Cultural Odyssey		$75,000
Indochinese Housing Development Corporation		$75,000
Infant toddler Consortium		$53,000
Inner City Youth		$75,000
James Lick Middle School PTSA		$68,000
Jamestown Community Center		$56,000
Japanese Community Youth Council		$29,000
Jewish Family and Children's Services		$75,000
Jewish Vocational & Career Counseling Service		$40,000
Juma Ventures		$75,000
Kai Ming, Inc.		$75,000
Kids' Turn		$32,500
Korean American Women Artists &Writers Association		$70,000
La case De las Madres		$20,640
Larkin Street Youth Services		$75,000
Lavender Youth Recreation & Info Center LYRIC		$64,029
Leadership High School		$30,000
Legal Services for Children		$65,555
Literacy for Environmental Justice		$75,000
Little Children's Development Center		$75,000
Men Overcoming Violence (MOVE)		$50,100
Miraloma Nursery School		$75,000
Mission Cultural Center for Latino Arts		$66,872
Mission Area Health Associates, Inc. dba MNHC		$74,998
Mission Child Care Consortium		$75,000
Mission Dolores School		$75,000
Mission Education Projects Inc.		$31,485
Mission Housing Develop. Corp. (MHDC)		$75,000
Mission Language and Vocational School, Inc.		$74,857
Mission Learning Center		$76,800
Mission Neighborhood Centers, Inc.		$75,000
Mission Youth Soccer League		$74,850
Moss Beach Homes, Sunset Neigh. Beacon Center		$34,890
Multicultural Educational, Training & Advocacy		$8,500
Music in schools today		$43,948

Musical Theatre Works	$7,000
New Direction 21st Century	$75,000
NICOS Chinese Health Coalition	$75,000
Nihonmachi Legal Outreach dba Asian Pac. Islander	$70,499
Nihonmachi Little Friends	$75,000
Northern California Council for the community	$52,851
Northern California Service League	$55,000
Ohlhoff Recovery Programs	$31,485
Omega Boys Club	$75,000
Our Kids First	$38,461
Pacific News Services	$74,748
Parent Voices	$61,200
Parents for Public schools of San Francisco	$20,475
Parents helping Parents San Francisco	$68,228
Philippine Resource Center	$31,500
Playtime Center	$75,000
Polly's Family Support Center	$75,000
Private Industry Council	$75,000
PTA Cal. Cngrss of Parents, Teach, Stud. Alvarado	$40,400
Recreation Center for the handicapped	$32,250
Renaissance Parents of Success	$75,000
Richmond District Neighborhood Center	$17,504
SF Arts Education Project	$75,000
SF Bar Association Volunteer Legal Services Prog.	$31,655
SF Brown Bombers POP Warner Club, Inc.	$74,970
SF Conservation Corps	$62,835
SF Council of Parent Participation Nursery Schools	$5,700
SF Court Appointed Special Advocates	$75,000
SF Educational Fund	$27,254
SF General Hospital Foundation	$75,000
SF League of Urban Gardeners (SLUG)	$74,921
SF School Volunteer	$4,777
SF Starting Points Initiative	$74,000
SF Study Center	$68,275
SF Urban Service Project	$20,000
SF Women Against Rape	$32,340
SF Women's Centers, Inc.	$20,000
SFHA Housing Corporation	$74,667
SFSU Foundation Inc.	$66,250
SFSU Foundation, Inc.	$75,686
SFSU Foundation--Mission Science Wrkshops	$44,461
Soul'd Out Productions	$75,000
South of Market Child Care, Inc.	$72,186
Southwest Community Corporation	$75,000
St. Francis Memorial Hospital, Rally Family Visit.	$53,166
St. John's Educational Threshold Center-YouthSpace	$75,000
St. John's Educational Thresholds Center	$34,925
St. Vincent de Paul Society	$70,670
Stern Grove Festival Asociation	$25,000
Streetside Stories, Inc.	$14,760
Sunset Youth Services	$71,000
Support for Families of Children with Disabilities	$50,841
Telegraph Hill Neighborhood Association	$41,193

Tenderloin Neighborhood Development Corporation	$23,570
The Children's Psychological Health Ctr.	$27,830
The Community Center Project of San Francisco, Inc	$71,084
The International Institute of San Francisco	$50,000
The Korean Center, Inc.	$74,841
The Regents of the University of California	$33,090
The San Francisco Child Abuse Prevention Center	$66,267
The Young Scholars Program	$65,000
Tides Center -- Oasis	$63,585
Tides Center/Infusion-One	$75,000
United way of the Bay Area	$10,000
Vietnamese Youth Development Center	$34,026
Visitacion Valley Community Center	$74,100
Visitacion Valley Job, Education and Training	$72,638
Voice Over Video Network (dbaTILT)	$66,434
Wah Mei School	$10,000
Wajumbe Cultural Institution, Inc.	$75,000
Walden House, Inc.	$62,892
West Bay Pilipino Multi-Service, Inc.	$36,435
Westside Community Mental Health Center, Inc.	$75,000
Whitney Young Child Development Centers, Inc.	$72,400
World Arts West	$74,314
Wu Yee Children's Center	$75,000
YMCA -- Bayview Hunter's Point	$75,000
YMCA -- Chinatown	$75,000
YMCA -- Embarcadero	$24,339
YMCA -- Richmond District	$45,570
YMCA -- Shih Yu-Lang Central of San Francisco	$51,600
YMCA -- Stonestown Family YMCA	$73,416
YMCA -- Urban Services	$53,130
YMCA of San Francisco -- Mission Branch	$65,314
YMCA of SF (Buchanan YMCA)	$20,000
Young Community Developers, Inc.	$75,000
Youth Guidance Center Improvement Committee	$73,863
Total Amount Requested	**$10,810,033**
Average Request ($10,810,033/189)	**$57,196**

Items 9 and 10 - Files 02-1754 and 02-1793

Department: Department of Human Resources (DHR)
Department of Administrative Services

Items: Item 9 - File 02-1754 – Ordinance reappropriating $127,577 of existing funding for the reclassification of three positions (1.5 FTEs in FY 2002-2003) to operate and maintain audio, video, and security systems by the Administrative Services – Convention Facilities Management for FY 2002-2003.

Item 10 - File 02-1793 - Ordinance amending Ordinance No. 175-02 (Annual Salary Ordinance FY 2002-2003) to establish three new reclassified positions (1.5 FTEs in FY 2002-2003) and to delete three existing Special Assistant positions (1.5 FTEs in FY 2002-2003).

Description: Item 9 - File 02-1754 – The proposed supplemental appropriation ordinance would reappropriate $127,577 to delete three existing Special Assistant positions in the Administrative Services Convention Facilities Management Department and use the reappropriated funds to reclassify the three Special Assistant positions into two (1 FTE in FY 2002-2003) Media Security Systems Specialist positions and one (.5 FTE in FY 2002-2003) Media Security Systems Supervisor position.

Item 10 - File 02-1793 - The proposed ordinance would amend the Annual Salary Ordinance (ASO) to establish the new classifications, two (1 FTE in FY 2002-2003) Media Security Systems Specialist and one (.5 FTE in FY 2002-2003) Media Security Systems Supervisor. The proposed reclassification will be effective on January 1, 2003.

According to Mr. Ara Minasian of the Department of Administrative Services, the two new 1777 Media Security Systems Specialist positions and the one new 1781 Media Security Systems Supervisor position would operate and maintain audio, video and security systems in City Hall.

The proposed reclassification results in the following positions to be created and deleted:

NEW POSITIONS TO BE CREATED

No. of FTE Positions	Classification	Title	Step 1 (Biweekly-Annual)	Step 5 (Biweekly-Annual)
2.0	1777	Media Security Systems Specialist	$2,281 59,306	$2,772 72,072
1.0	1781	Media Security Systems Supervisor	$2,621 68,146	$3,187 82,862

The annual cost of the requested three new classifications ranges from $227,845 at Step 1, including salaries of $186,758 and fringe benefits of $41,087, to $276,947 at Step 5, including a salary of $227,006 and fringe benefits of $49,941.

EXISTING POSITIONS TO BE DELETED

No. of FTE Positions	Classification	Title	Step 1 (Biweekly-Annual)	Step 5 (Biweekly-Annual)
1.0	1367	Special Assistant VIII	$1,960 50,960	$2,383 61,958
1.0	1368	Special Assistant IX	$2,110 54,860	$2,564 66,664
1.0	1369	Special Assistant X	$2,281 59,306	$2,772 72,072

The annual cost of the existing three Special Assistant classifications ranges from $201,454 at Step 1, including salaries of $165,126 and fringe benefits of $36,328, to $244,847 at Step 5, including salaries of $200,694 and fringe benefits of $44,153.

Budget: A budget for this reappropriation for the six-month period from January 1, 2003 to June 30, 2003 of $127,577 is as follows:

	Amount
One (two .5 FTEs) Media Security Systems Specialist (Step 5) – Salaries	$72,072
Mandatory Fringe[1]	8,937
0.5 FTE Media Security Systems Supervisor	41,431
Mandatory Fringe[1]	5,137
Total	$127,577

Comments: 1. According to Mr. Minasian, the Department of Administrative Services requested that DHR conduct a classification and compensation study of the three existing Special Assistant positions (one 1367 Special Assistant VIII, one 1368 Special Assistant IX, and one 1369 Special Assistant X) that currently perform audio, video and security systems operation and maintenance in City Hall. That study resulted in this proposed reclassification action as recommended by the DHR, according to Ms. Marsha Stroope of the DHR.

2. The creation of the three new positions and the deletion of the three existing Special Assistant positions would result in a net increase in salaries and fringe benefits of between $26,391 at Step 1 and $32,100 at Step 5 on an annual basis based on FY 2002-2003 salary rates.

3. According to Ms. Joan Lubamersky of the Department of Administrative Services, the Special Assistant VIII and X positions are filled and the Special Assistant IX position has been vacant since March of 2002. According to Ms. Lubamersky, the incumbents of the Special Assistant VIII and X positions would occupy the new proposed Media Security Systems Specialist classification pending the civil service examination process. As a result, the Special Assistant VIII would receive an annual salary increase of between $8,346 at Step 1 and $10,114 at Step 5. The Special Assistant X position is at the same salary range

[1] According to Ms. Pamela Levin of the Controller's Office, the fringe rate was calculated using variable fringes at 12.4% of base salary. Ms. Levin states that this calculation excludes health coverage benefits because the amount for health coverage benefits would be covered from the Special Assistant position funds previously budgeted.

as the new Media Security Systems Specialist classification. As previously noted, the Special Assistant IX position is vacant. Ms. Lubamersky notes that one of the incumbents may be promoted to the new Media Security Systems Supervisor position following a competitive civil service process.

4. Because of the net increased annual costs, the Budget Analyst considers approval of these ordinances to be a policy matter for the Board of Supervisors.

Recommendation: Approval of the proposed ordinances is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

Wednesday, November 20, 2002 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Chris Daly, Sophie Maxwell.

MEETING CONVENED

The meeting convened at 12:35 p.m.

021502 **[Requiring the Mayor to submit budget estimates, proposed budgets and revenue estimates for selected departments by the first working day of May]**

Supervisor McGoldrick

Ordinance amending Administrative Code Section 3.3 to eliminate the requirement that the Mayor submit a preliminary budget to the Board of Supervisors, and requiring the Mayor submit budget estimates, proposed budgets and detailed estimates of revenues for selected departments by the first working day of May.

8/26/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 9/25/2002.

9/26/02, TRANSFERRED to Rules and Audits Committee.

10/1/02, CONTINUED TO CALL OF THE CHAIR.

10/9/02, TRANSFERRED to Finance Committee.

10/16/02, CONTINUED. Heard in Committee. Speakers: Supervisor McGoldrick; Edward Harrington, Controller; Phil Ginsberg, Deputy City Attorney; Adam Van de Water, Office of the Legislative Analyst, Board of Supervisors; Margaret Brodkin, Coleman Advocates; Harvey Rose, Budget Analyst; Ken Bruce, Budget Analyst's Office; Debra Newman, Budget Analyst's Office; Ben Rosenfield, Mayor's Budget Office; Gloria Young, Clerk of the Board.
Continued to 11/13/02.

11/13/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers: Supervisor McGoldrick; Harvey Rose, Budget Analyst; Ben Rosenfield, Mayor's Budget Office; Edward Harrington, Controller; Ken Bruce, Budget Analyst; David Pilpel.
Continued to 11/20/02.

11/13/02, CONTINUED AS AMENDED.

Heard in Committee. Speakers: Supervisor McGoldrick; Harvey Rose, Budget Analyst; Edward Harrington, Controller; John Bardis.
Amendment of the Whole adopted. Amended on page 2, line 4, by replacing "may" with "should."
Supervisor Daly added as co-sponsor.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance amending Administrative Code Section 3.3 to eliminate the requirement that the Mayor submit a preliminary budget to the Board of Supervisors, and requiring the Mayor submit budget estimates, proposed budgets and detailed estimates of revenues for selected departments by the first working day of May, and the complete City budget by the first working day of June.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Daly, Maxwell

021752 **[Reserved Funds, Department of Children, Youth and their Families]**

Hearing to request release of reserved funds, Department of Children, Youth and their Families, fiscal year 2002-03 budget, in the amount of $700,000 to fund programs for the community-based organizations. (Mayor)

10/31/02, RECEIVED AND ASSIGNED to Finance Committee.

11/13/02, CONTINUED. Heard in Committee. Speakers: Brenda Lopez, Director, Department of Children, Youth and Their Families; Supervisor Sandoval; Margaret Brodkin, Director, Coleman Advocates for Children and Youth.
Continued to 11/20/02.

Heard in Committee. Speakers: Brenda Lopez, Director, Department of Children, Youth and Their Families; Supervisor Sandoval.
Continued to 12/4/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021803 **[Multifamily Housing Revenue Bonds (Folsom/Dore Apartments)]**

Resolution authorizing the issuance and delivery of multifamily housing revenue bonds (as defined herein) in an aggregate principal amount not to exceed $16,500,000 for the purpose of providing financing for a multifamily rental housing project; approving the form of and authorizing the execution of an indenture providing the terms and conditions of the bonds; approving the form of and authorizing the execution of a bond purchase contract providing the terms and conditions for the sale of the bonds; approving the form of and authorizing the execution of a regulatory agreement and declaration of restrictive covenants; approving the form of and authorizing the execution of a loan agreement; approving the form of and authorizing the execution of an intercreditor agreement; approving the form of and authorizing the preparation and distribution of an official statement relating to the bonds; making low income housing findings; ratifying and approving any action heretofore taken in connection with the bonds and the project; approving and authorizing the execution and delivery of any document necessary to implement this resolution; and related matters. (Mayor)

(Fiscal impact; Public Benefit Recipient.)

10/30/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the November 20, 2002 meeting.

Heard in Committee. Speakers: Joe LaTorre, Deputy Director, Mayor's Office of Housing; Harvey Rose, Budget Analyst.
Amended on page 1, line 4, and on page 3, line 9, by replacing "$16,500,000" with "$14,925,000."

AMENDED.

Resolution authorizing the issuance and delivery of multifamily housing revenue bonds (as defined herein) in an aggregate principal amount not to exceed $14,925,000 for the purpose of providing financing for a multifamily rental housing project; approving the form of and authorizing the execution of an indenture providing the terms and conditions of the bonds; approving the form of and authorizing the execution of a bond purchase contract providing the terms and conditions for the sale of the bonds; approving the form of and authorizing the execution of a regulatory agreement and declaration of restrictive covenants; approving the form of and authorizing the execution of a loan agreement; approving the form of and authorizing the execution of an intercreditor agreement; approving the form of and authorizing the preparation and distribution of an official statement relating to the bonds; making low income housing findings; ratifying and approving any action heretofore taken in connection with the bonds and the project; approving and authorizing the execution and delivery of any document necessary to implement this resolution; and related matters. (Mayor)

(Fiscal impact; Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021801 **[Airport Public Parking Services]**

Supervisor Gonzalez

Resolution approving the Controller's certification that Airport Public Parking Management Services for San Francisco International Airport can practically be performed by private contractor at a lower cost than if work were performed by city employees at budgeted levels. (Airport Commission)

(Fiscal impact; Public Benefit Recipient.)

10/30/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speaker: Monique Zmuda, Deputy Controller.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021802 **[Airport Employee Parking Services]**

Resolution approving the Controller's certification that Employee Parking Management Services for San Francisco International Airport can practically be performed by private contractor at a lower cost than if work were performed by city employees at budgeted levels. (Airport Commission)

(Fiscal impact; Public Benefit Recipient.)

10/30/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speaker: Monique Zmuda, Deputy Controller.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021897 **[Lease of Real Property - 1155 Market Street]**

Mayor

Resolution authorizing the lease of 139,956 sq. ft. of office space in the building located at 1155 Market Street, San Francisco for the City and County of San Francisco Public Utilities Commission for consolidation of staff from various locations and authorizing the termination of an existing lease for certain office space at 1155 Market Street, San Francisco. (Mayor)

(Public Benefit Recipient.)

11/12/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Gary Dowd, Public Utilities Commission, Real Estate Services Department; Harvey Rose, Budget Analyst; Marc McDonald, Director of Property, Real Estate Division, Department of Administrative Services.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021892 **[Appropriation for Consolidation of Administrative Offices]**

Mayor

Ordinance appropriating $2,490,343 from fund balance for consolidation of administrative offices of the San Francisco Public Utilities Commission for fiscal year 2002-03. (Mayor)

(Fiscal impact; No Public Benefit Recipient; companion measure to File 021897.)

11/12/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Gary Dowd, Public Utilities Commission, Real Estate Services Department; Harvey Rose, Budget Analyst; Marc McDonald, Director of Property, Real Estate Division, Department of Administrative Services.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020549 **[Special Use District to allow an approved live/work project convert to residential]**

Supervisor Daly

Ordinance amending the San Francisco Planning Code by adding Section 249.23 to create the Fourth and Freelon Streets Special Use District encompassing the property zoned Service Light Industrial and bounded by Fourth Street, Freelon Street, Zoe Street and Welsh Street and by adding Section 263.16 to create special height and bulk exceptions for the Fourth and Freelon Streets Special Use District, which would allow previously approved but unbuilt live/work units to convert to market-rate residential units and additional market-rate residential units to be constructed with an allowable increase in height from 50' to 85' and a dwelling unit density governed by the permissible building envelope; provided that (i) the developer shall construct at the developer's sole expense, on land owned or purchased by the developer, off-site affordable housing with square footage equal to 15% of the total residential units to be constructed offset by the cost of land acquisition, (ii) the units shall be affordable to low- and moderate income households with income not exceeding 60% of San Francisco's median income and (iii) upon completion, the affordable housing development shall be owned, managed and operated by a nonprofit housing organization.

(Companion measure to File 020550.)

(Final Environmental Impact Report, dated September 7, 2000)

4/8/02, ASSIGNED UNDER 30 DAY RULE to Transportation and Commerce Committee, expires on 5/8/2002. 4/12/02 - Transmitted to Planning Commission for public hearing and recommendation.

8/9/02, TRANSFERRED to Finance Committee.

11/14/02, RESPONSE RECEIVED. (From Planning Department, Addendum to Final Environmental Impact Report, dated November 7, 2002)

Heard in Committee. Speakers: Sue Hestor; Theodore Lakey, Deputy City Attorney; Supervisor McGoldrick; Gabriel Metcalf, Deputy Director, SPUR and Housing Action Coalition; Antoinetta Stadlman; Randy Shaw, Tenderloin Housing Clinic; Joe O'Donohue; Alice Barkley, Attorney for Property Owner; Sam Dodge, Central City SRO Collaborative; Ernest Bush; Mark Ellinger, Central City SRO Collaborative; Oscar McKinney; Joanna Hagerty; Delphine Brody, Tenant Advocate, Mental Health Association; Otto Duffy, Tom Waddell Health Center Advisory Board; Orville Luster, Executive Director, Youth for Service; Thomas LeRoux, President of Board, Youth for Service; Samuel Devore, Metropolitan Fresh Start Drug Rehab. Project; Mary Rogers; Lucian Blazej, Strategic Solutions; Joe Cassidy, Project Sponsor; Manny Flores, Carpenters Union, Local 22; Charles Breidinger; Charles Moore.

Continued to Special Meeting on Tuesday, November 26, 2002, at 3:00 p.m.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020550 [Zoning Map Amendment]

Supervisor Daly

Ordinance amending the San Francisco Planning Code by amending the Zoning Map of the City and County of San Francisco to change the use classification and the height and bulk designation of the property zoned Service Light Industrial and bounded by Fourth Street, Freelon Street, Zoe Street and Welsh Street.

(Final Environmental Impact Report, dated September 7, 2000)

4/8/02, ASSIGNED UNDER 30 DAY RULE to Transportation and Commerce Committee, expires on 5/8/2002. 4/12/02 - Transmitted to Planning Commission for public hearing and recommendation.

8/9/02, TRANSFERRED to Finance Committee.

11/14/02, RESPONSE RECEIVED. (From Planning Department, Addendum to Final Environmental Impact Report, dated November 7, 2002)

Heard in Committee. Speakers: Sue Hestor; Theodore Lakey, Deputy City Attorney; Supervisor McGoldrick; Gabriel Metcalf, Deputy Director, SPUR and Housing Action Coalition; Antoinetta Stadlman; Randy Shaw, Tenderloin Housing Clinic; Joe O'Donohue; Alice Barkley, Attorney for Property Owner; Sam Dodge, Central City SRO Collaborative; Ernest Bush; Mark Ellinger, Central City SRO Collaborative; Oscar McKinney; Joanna Hagerty; Delphine Brody, Tenant Advocate, Mental Health Association; Otto Duffy, Tom Waddell Health Center Advisory Board; Orville Luster, Executive Director, Youth for Service; Thomas LeRoux, President of Board, Youth for Service; Samuel Devore, Metropolitan Fresh Start Drug Rehab. Project; Mary Rogers; Lucian Blazej, Strategic Solutions; Joe Cassidy, Project Sponsor; Manny Flores, Carpenters Union, Local 22; Charles Breidinger; Charles Moore.

Continued to Special Meeting on Tuesday, November 26, 2002, at 3:00 p.m.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

Note: The Chair intends to entertain a motion to continue consideration of the following two items, Files 021792 and 021804, to the December 4, 2002, meeting:

021792 [Street Artist Certificate Fee Increase]

Ordinance amending Article 24 of the San Francisco Police Code by amending Section 2401.1 to increase the fee for a Street Artist Certificate. (Arts Commission)

(No Public Benefit Recipient.)

10/22/02, RECEIVED AND ASSIGNED to Finance Committee.

Speakers: None.

Continued to 12/4/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

021804 **[Garbage Collection Truck Licensing Fee]**

Ordinance increasing the licensing fee for garbage trucks and the amount deposited into the Mandatory Refuse Collection Service Fund by amending Section 249.6 of the San Francisco Business and Tax Regulations Code and Section 10.100-7 of the San Francisco Administrative Code and ratifying past actions taken in connection with such licensing fee. (Public Health Department)

(No Public Benefit Recipient.)

10/21/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 11/20/2002.

Speakers: None.
Continued to 12/4/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

ADJOURNMENT

The meeting adjourned at 4:07 p.m.

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

November 14, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: November 20, 2002 Finance Committee Meeting

Item 1 - File 02-1502

Note: This item was amended and continued by the Finance Committee at its meeting on November 13, 2002. The following report reflects the proposed amended ordinance.

Departments: Mayor's Office
Board of Supervisors
Controller's Office

Item: Ordinance amending Administrative Code Section 3.3 to eliminate the requirement that the Mayor submit a preliminary budget to the Board of Supervisors and requiring that the Mayor submit budget estimates, proposed budgets and detailed estimates of revenues for selected departments by the first working day of May instead of the first working day of June.

Description: The proposed ordinance would amend the City's Administrative Code to (1) delete the current requirement that the Mayor submit a preliminary budget to the Board of Supervisors and (2) move up the submission date by one month of the Mayor's

recommended budget, including revenue estimates and explanations, from the first of June to the first of May, for selected City and County departments as determined by the Controller, with the concurrence of the President of the Board of Supervisors and the Mayor's Budget Director.

The Administrative Code currently requires each City and County department, agency, board or commission to submit their annual budget estimates to the Controller's Office by February 21st of each year. The Controller is then responsible for consolidating the annual budget estimates and transmitting this information to the Mayor by the first working day of March. Under the proposed ordinance, these procedures and dates would remain unchanged.

In FY 2001-2002, the Mayor was responsible for transmitting a preliminary budget for FY 2002-2003 to the Board of Supervisors by the first working day in April of 2002. Under the proposed ordinance, this entire requirement for submitting a preliminary budget would be eliminated.

Currently, the Mayor is responsible for transmitting the proposed annual budget, including detailed estimates of revenues and amounts required to meet bond interest and fixed charges, together with the Mayor's budget message and a draft annual appropriation ordinance, prepared by the Controller by the first working day of June of each year.

Under the proposed ordinance, the Mayor would be responsible for transmitting to the Board of Supervisors by the first working day of May each year budget estimates, proposed budgets and detailed estimates of revenues for selected City and County departments, as determined by the Controller, with the concurrence of the President of the Board of Supervisors and the Mayor's Budget Director. By the first working day of June, the Mayor would then be required to transmit to the Board of Supervisors the remaining City and

County department budgets, not submitted by the first working day of May, together with the final budget for all departments, including detailed estimates of revenues and amounts required to meet bond interest and fixed charges, together with the Mayor's budget message and a draft annual appropriation ordinance, prepared by the Controller.

The proposed ordinance would also delete the current references to the existing timetable for budget submissions, which sunset on December 31, 2002.

The Board of Supervisors would continue to be required to adopt the interim appropriation and salary ordinances by June 30th, and to adopt the budget by the last working day of July of each year.

Comments:

1. This past year, the Mayor was responsible for transmitting a preliminary budget for FY 2002-03 to the Board of Supervisors by the first working day of April. The Budget Committee of the Board of Supervisors then held 11 public hearings during April and May to consider the preliminary budget, and conducted 12 Town Hall meetings in the Supervisors Districts prior to the submittal of the Mayor's proposed budget on June 1st. Based on discussions by the Budget Committee members that policy and budgetary discussions can occur throughout the year and that the preliminary budget was not balanced and then changed considerably, the preliminary budget was not found to be as useful as initially envisioned. In previous years, the Mayor's Office did not submit a preliminary budget to the Board of Supervisors. As noted above, the proposed ordinance would eliminate the requirement that the Mayor submit a preliminary budget to the Board of Supervisors.

2. As discussed above, the proposed ordinance provides that the Mayor would submit to the Board of Supervisors selected City and County departments budgets on the first working day of May, as determined by the Controller, with the

concurrence of the President of the Board of Supervisors and the Mayor's Budget Director. The Budget Analyst notes that such language provides great flexibility for the Controller, President of the Board of Supervisors and the Mayor's Budget Director to determine which departments would be submitted on May 1 and which departments would be submitted on June1.

The Attachment, provided by the Controller's Office, is one example of how the City and County Departments could be split between the May 1 and June 1 budget submittal dates. This Attachment identifies 19 primarily non-General Fund departments, with FY 2002-003 budgets totaling $2,294,606,046 for a May 1, 2003 budget transmittal date and 42 primarily General Fund departments, with FY 2002-2003 budgets totaling $2,683,212,602 for a June 1, 2003 budget transmittal date.

3. Given that the proposed ordinance provides great flexibility in determining which departments' budgets the Mayor would transmit to the Board of Supervisors on May 1 versus June 1, the Budget Analyst notes that the language regarding who would actually determine this issue is not specific. The proposed ordinance states that the Controller would determine this issue, "with the concurrence of the President of the Board of Supervisors and the Mayor's Budget Director". For example, it is possible that the President of the Board of Supervisors and the Mayor's Budget Director could disagree on this issue. To clarify this issue, the Budget Analyst recommends that the proposed ordinance be amended to state, "as determined by the Controller, after consultation with (instead of concurrence with) the President of the Board of Supervisors and the Mayor's Budget Director". However, the recommended change would leave the final determination up to the Controller. Mr. Ed Harrington of the Controller's Office concurs with the recommended change in language.

4. The Budget Analyst advises that the proposed ordinance to eliminate the preliminary budget and move up the annual budget submittal dates for selected departments should not, in and of itself, result in additional costs for the City.

5. However, the Budget Analyst notes that the proposed resolution, if adopted, would require Board of Supervisors policy decisions on the procedures for implementation and allocation of staff resources. For example, if the Mayor's recommended budget for certain departments is sent to the Board of Supervisors and referred to the Budget Committee for hearing and adoption during the month of May, and the Board assigned to the Budget Committee the task of hearing and adopting final recommendations for such departments prior to June 1 of each year, the Budget Analyst would then need to allocate staff resources to the review of such budgets and formulation of recommendations for consideration by the Budget Committee. Such a reallocation of staff would reduce the Budget Analyst staff resources available for the review of Memoranda of Understanding, Finance Committee reports, and other legislative committee reports as well as management audit work during the month of May. However, offsetting this change in such reduced allocation of staff resources would be the increased availability of Budget Analyst staff for additional budget review work on remaining City departments during the month of June, when the Budget Committee would be considering the Mayor's recommended budget for such departments since many of the budgets which the Budget Analyst normally would review in June would have been completed in May.

6. Ms. Gloria Young, the Clerk of the Board of Supervisors advises that the staff from the Legislative Analyst's Office could also be available to support the Board of Supervisors proposed revised budgetary process. However, Ms. Young advises that such assistance from the Legislative Analyst's Office would be contingent on the Board

of Supervisors reprioritizing the existing workload of the Legislative Analyst's Office, to make the budget work a priority for the staff, as occurred during the FY 2002-2003 budget cycle last year.

7. As of the writing of this report, Mr. Ben Rosenfield of the Mayor's Office advises that he is presently assessing the changes that would be required by the Mayor's Office to implement the proposed amendments to this ordinance.

Recommendations:

1. In accordance with Comment No. 3, amend page 1, line 25 of the proposed ordinance to state "as determined by the Controller, after consultation with (instead of concurrence with) the President of the Board of Supervisors and the Mayor's Budget Director".

2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

FY 2002-03 Budgets By Department			
Department		Due May 1, 2003	Due June 1, 2003
PUBLIC PROTECTION			
ADP	ADULT PROBATION		10,127,736
CME	ADMIN SVCS - MEDICAL EXAMINER		4,112,288
CRT	TRIAL COURTS	40,253,508	
DAT	DISTRICT ATTORNEY		31,980,288
FIR	FIRE DEPARTMENT		224,715,517
JUV	JUVENILE PROBATION		30,676,038
PDR	PUBLIC DEFENDER		13,231,637
POL	POLICE		307,471,724
SHF	SHERIFF		111,672,033
TXC	TAXI COMMISSION	1,326,396	
	TOTAL PUBLIC PROTECTION	41,579,904	733,987,261
PUBLIC WORKS, TRANSPORTATION & COMMERCE			
AIR	AIRPORT COMMISSION	581,315,225	
CWP	CLEAN WATER	159,524,677	
DBI	DEPARTMENT OF BUILDING INSPECTION	31,053,434	
DPT	MTA - MUNICIPAL RAILWAY	443,722,009	
DPW	DEPARTMENT OF PUBLIC WORKS		153,819,087
ECD	EMERGENCY COMMUNICATIONS DEPARTMENT		35,429,850
ECN	BUSINESS AND ECONOMIC DEVELOPMENT		18,869,311
HHP	HETCH HETCHY	219,372,561	
PAB	BOARD OF APPEALS		443,408
PRT	PORT	55,460,837	
PTC	MTA - PARKING AND TRAFFIC	93,644,795	
PUC	PUBLIC UTILITIES COMMISSION	92,601,521	
TIS	TELECOMMUNICATIONS & INFORMATION SVCS		75,854,315
WTR	WATER DEPARTMENT	176,270,979	
TOTAL PUBLIC WORKS, TRANSPORTATION & COMMERCE		1,852,966,038	284,415,971
HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT			
AGE	AGING AND ADULT SERVICES		31,010,569
CFC	CHILDREN AND FAMILIES COMMISSION	7,668,047	
CHF	CHILDREN, YOUTH & THEIR FAMILIES		45,116,271
CSS	CHILD SUPPORT SERVICES	26,451,962	
DSS	HUMAN SERVICES		484,040,490
ENV	ENVIRONMENT	11,065,026	
HRC	HUMAN RIGHTS COMMISSION		4,463,070
RNT	RENT ARBITRATION BOARD	4,725,000	
WOM	DEPARTMENT OF THE STATUS OF WOMEN		2,831,905
TOTAL HUMAN WELFARE & NEIGHBORHOOD DEVELOPMENT		49,910,035	567,462,305
COMMUNITY HEALTH			
DPH	PUBLIC HEALTH		1,044,158,374
TOTAL COMMUNITY HEALTH		0	1,044,158,374

FY 2002-03 Budgets By Department			
Department		Due May 1, 2003	Due June 1, 2003
CULTURE & RECREATION			
AAM	ASIAN ART MUSEUM		6,573,512
ART	ARTS COMMISSION		8,388,375
CFM	ADMIN SVCS - CONVENTION FACILITIES MGMT		78,637,632
FAM	FINE ARTS MUSEUM		6,594,702
LIB	PUBLIC LIBRARY		78,692,108
LLB	LAW LIBRARY		524,686
REC	RECREATION AND PARK COMMISSION		112,315,444
SCI	ACADEMY OF SCIENCES	1,977,490	
USD	COUNTY EDUCATION OFFICE		67,624
WAR	WAR MEMORIAL	15,538,877	
TOTAL CULTURE & RECREATION		17,516,367	291,794,083
GENERAL ADMINISTRATION & FINANCE			
ADM	ADMINISTRATIVE SERVICES		57,622,102
AGW	ADMIN SVCS - CONSUMER ASSURANCE		2,077,689
ANC	ADMIN SVCS - ANIMAL CARE & CONTROL		3,256,749
ASR	ASSESSOR / RECORDER		11,637,589
BOS	BOARD OF SUPERVISORS		9,034,112
CAT	CITY ATTORNEY		46,609,364
CON	CONTROLLER		23,252,700
CPC	CITY PLANNING		13,101,941
CSC	CIVIL SERVICE COMMISSION		703,459
ETH	ETHICS COMMISSION		2,156,295
HRD	HUMAN RESOURCES		74,639,819
MYR	MAYOR		35,449,339
OCA	ADMIN SVCS - OFFICE OF CONTRACT ADMIN		4,636,933
REG	ELECTIONS		8,975,998
RET	RETIREMENT SYSTEM	14,114,845	
TTX	TREASURER/TAX COLLECTOR		19,023,553
TOTAL GENERAL ADMINISTRATION & FINANCE		14,114,845	312,177,642
GENERAL CITY RESPONSIBILITIES			
GEN	GENERAL CITY RESPONSIBILITY	318,518,857	
UNA	GENERAL FUND UNALLOCATED		0
TOTAL GENERAL CITY RESPONSIBILITIES		318,518,857	0
Gross Total Sources of Funds			
	Less Citywide Transfer Adjustments		(17,353,353)
	Less Interdepartmental Recoveries		(533,429,681)
Net Total Sources of Funds		2,294,606,046	2,683,212,602

Item 2 - File 02-1752

Note: This item was continued by the Finance Committee at its meeting of November 13, 2002.

Department: Department of Children, Youth and Their Families (DCYF)

Item: Hearing to request the release of reserved funds in the amount of $700,000 to fund programs for nonprofit Community-based organizations.

Amount: $700,000

Source of Funds: General Fund monies appropriated and reserved by the Board of Supervisors in the DCYF FY 2002-2003 budget.

Description: In the FY 2002-2003 budget, the Board of Supervisors appropriated $1,700,000 for the DCYF to be used for nonprofit community-based organizations. Of the $1,700,000 appropriation, the Board of Supervisors specifically added $700,000 to the Mayor's Recommended FY 2002-2003 budget to fund community-based organizations, which the Department is now requesting be released.

According to Mr. Ken Bukowski of DCYF, the entire $1,700,000 will be allocated to nonprofit community-based organizations for one-time needs. The nonprofit community-based organizations are being selected through a single competitive Request for Proposals (RFP) process. The attached memorandum (Attachment I) provided by Ms. Nani Coloretti of DCYF contains (a) additional background information on this subject request for the release of $700,000, (b) a description of the RFP process, and (c) a description of the process used to select the nonprofit community-based organizations to receive allocations from the total available funds of $1,700,000.

Budget: As of the writing of our November 13, 2002 report to the Finance Committee, according to Mr. Bukowski, none of the $1,700,000 had been allocated to nonprofit community-based organizations.

Comments:

1. According to Mr. Bukowski, DCYF received responses to its RFP from the 189 nonprofit community-based organizations listed in Attachment II. Such requests total $10,810,033 or $9,110,033 more than the available funding of $1,700,000.

2. Ms. Coloretti has provided additional information on the requested funds in her memorandum (Attachment I).

3. In the professional judgement of the Budget Analyst, the subject reserved funds in the amount of $700,000 should not be released until DCYF has submitted a report to the Board of Supervisors which accounts for the entire $1,700,000 Board of Supervisors appropriation. This report should include (a) identification of the nonprofit community-based organizations selected, (b) the amount of the allocation to each nonprofit community-based organization, and (c) a description of the proposed expenditures for each non-profit community-based organization.

4. Ms. Brenda Lopez of the DCYF advised the Finance Committee at its meeting of November 13, 2002 that a report will be submitted to the Finance Committee accounting for the proposed $1,700,000 in expenditures.

Recommendation: Approval of the requested release of $700,000 is a policy matter for the Finance Committee.

DEPARTMENT OF CHILDREN,
DCYF
YOUTH AND THEIR FAMILIES

Willie L. Brown, Jr.
Mayor

Brenda Lopez
Director

DATE: November 7, 2002

TO: Budget Analyst

FROM: Nani Coloretti, Director of Budget and Planning

SUBJECT: Request to Release Reserved Funds

Pursuant to your request, the Department of Children, Youth and Their Families (DCYF) hereby submits this memorandum in support of its request to release reserve funds in the amount of $700,000 to fund nonprofit community-based programs.

History and Proposed Use of DCYF Reserved Funds

During the FY 2002-2003 appropriation process, $700,000 of the general fund monies appropriated to DCYF was placed on reserve pursuant to an amendment introduced by Supervisor Sandoval during the Board of Supervisors' review of the budget. Our understanding is that the primary reason for placing the $700,000 on reserve was to allow for a more public process to determine the best way to expend the funds, rather than rely on the more limited decision-making process of considering specific add-back requests made to individual Supervisors. Thus, $700,000 was placed on reserve for the purpose of supporting citywide programs for children and youth, with the understanding that the funds would be released after DCYF obtained additional community input as to the best way to target expenditure of these monies.

Having completed a discussion among various stakeholders as to the best way to expend the $700,000 placed on reserve, DCYF now requests release of these funds so they may be expended (along with $1,000,000 in Children's Fund dollars) on grants to community-based organizations that have one-time expenditure needs. The decision to utilize the reserve funds and Children's Fund dollars in this manner is based on input provided from our Community Needs Assessment and meetings of the Children's Fund Citizen's Advisory Committee. The input received from various children and youth stakeholders through this public process helped DCYF determine the funding areas to prioritize for both the reserved funds ($700,000) and the additional Children's Fund dollars ($1,000,000).

Process Used for Determining Community-Based Organizations to Receive Funding

DCYF issued a Request for Proposals (RFP) on September 10, 2002, requesting proposals from community-based organizations which had one-time expenditure needs such as: operational shortfalls due to loss of funding (short term stabilization assistance to maintain services with identified future funding sources), agency capacity building (e.g. fundraising, strategic planning), capital expenditures (renovations), transportation, furniture/fixtures or one-time events. Availability of the RFP was advertised in the Independent, through the Board of Supervisors, on DCYF's website and with a mailing to approximately 2,000 youth and children service contacts maintained by DCYF. The RFP provided that agencies serving children, youth and families could request up to $75,000 for one-time use in the areas detailed above.

Responses to the RFP were due by September 30, 2002. DCYF received 189 complete proposals in response to the RFP, with the requests for one-time funding cumulatively totaling more than $10 million. In

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order to determine which community-based organizations would be selected to receive grants, DCYF utilized a citizen review team. The review team, which included members of the Children's Fund Citizens' Advisory Committee and people with expertise in youth services and budgeting, ranked each proposal and made consensus recommendations to DCYF. All proposals were scored on:

- ✓ Completion of all required forms and adherence to submission instructions;
- ✓ Compelling statement of need;
- ✓ Linkage of expense to improved program delivery;
- ✓ Reasonable budget.

DCYF staff reviewed the recommendations of the citizen review team to ensure that there was geographic, population and service diversity in the proposed funding allocation. DCYF may also use interviews and site visits as evaluation methods prior to awarding contracts.

DCYF has completed the process of reviewing the 189 proposals received in response to the RFP. We are awaiting the release of the reserved funds before announcing individual grant amounts and entering into contract negotiations with the organizations. However, the grant selection process for the Children's Fund dollars has been completed in order to ensure this funding can be utilized by community organizations at the earliest possible date.

Request to Release Reserve Funds

During budget discussions earlier this year, Board of Supervisors members indicated that it was better public policy for expenditure decisions to be based on a public process that examined neighborhood needs and gaps in services rather than specific add-back requests to individual Supervisors. Thus, $700,000 in general fund monies appropriated to DCYF was placed in reserve so that DCYF could receive additional input from community stakeholders and determine the best use of these funds. As requested, DCYF has conducted this process by utilizing the extensive community input that was part of the Community Needs Assessment and by determining priority needs with the assistance of the Children's Fund Children's Advisory Committee. This process resulted in a decision to fund one-time expenditures of community-based organizations based on a competitive RFP process to decide which specific organizations would receive funding.

The recommendation of the Budget Analyst that a detailed list of proposed grantees and grant amounts be made public (and open to debate) prior to the release of the reserved funds would appear to defeat the policy intent of the Board in seeking to ensure the use of these funds was decided based on a public process that broadly examined community needs. The release of a proposed grantee list would likely result in individual organizations that have not have been selected for funding through this competitive process demanding that their specific requests now be considered outside of the public process that has already taken place. Reopening the process in this manner would not appear to be supported by the policy discussion that occurred when these funds were initially placed on reserve.

It is also important that there be no further delay in allocating these funds to community-based organizations, particularly considering that many of the requests were for funds to ensure that services to children and youth would not be cut back during this fiscal year. It is in the best interest of maintaining children and youth services that the release of these funds be expedited so that the money can get out into the community to meet the immediate needs, such as those articulated by community-based organizations at the October Finance Committee meeting.

Thank you for your assistance in expediting the release of these funds so we can address the critical needs in our communities.

List of 189 Organizations Requesting One-Time Funds from DCYF

Agency Name	Request Amount
A Home Away From Homelessness	$45,000
African American Art and Culture Complex	$75,000
After School Enrichment Program	$41,782
Alemany Resident Mgmt. Corp.	$75,000
Allen Community Development Corp.	$75,000
Ark of Refuge, Inc	$75,000
Asian Perinatal Advocates	$75,000
Asian Women's Shelter	$75,000
Back on Track	$51,375
Bay Area Girls Center	$35,000
Bay Area Network for Diversity Teaching in Early	$62,317
Bayview Hunter Point Foundation for Com. Imp.	$57,809
Bayview Opera House, Inc.	$75,000
Bernal Heights Neighborhood Center	$63,275
Booker T. Washington Community Service Ctr.	$75,000
Brava! For Women in the Arts	$74,972
Brothers Against Guns, Inc	$75,000
California Community Dispute Services	$45,510
California Lawyers for the Arts	$53,625
CARECEN	$75,000
Career Resources Development Center	$41,159
Center for Human Development	$44,585
Center for Young Women's Development	$67,372
Charity Cultural Services Center	$9,562
Child Care Law Center	$74,980
Children of Lesbians & Gays Everywhere COLAGE	$56,490
Children's Day School, Inc.	$74,180
Chinatown Community Development Center	$55,000
Civic Center Child Care Corportation	$75,000
Community Alliance for Special Education	$13,750
Community Brd Prgrm Juv. Victim Offender (JVORP)	$75,000
Community Housing Partnership	$41,000
Community Music Center	$70,056
Community Network for Youth Development	$50,000
Community Works	$40,822
Compass Community	$24,922
Cross Cultural Family Center	$75,000
Donaldina Cameron House	$56,256
Economic Opportunity Council of San Francisco	$75,000
Edgewood Center for Children and Families	$75,000
Ella Hill Hutch Community Center	$74,842
Enterprise for High School Students	$48,060
Everychild Can Learn Foundation	$74,970
Family Restoration House	$75,000
Family Service Agency of San Francisco	$56,919
Family Support Services of the Bay Area	$29,750
Filipino American Arts Exposition	$67,600
Florence Crittenton Services	$75,000
FranDelJA Enrichment Center	$75,000

Friends of Recreation and Parks	$63,169
Friends of St. Francis Childcare Center	$75,000
Gateway High School	$58,967
Gatinell's Tender Loving Care Residence	$75,000
Girls After School Academy	$75,000
GirlSource, Inc.	$34,360
Glenridge Cooperative Nursery School	$7,220
Glide Foundation/Glide Memorial United Methodists	$74,955
Good Samaritan Family Resource Center	$43,155
Gum Moon Residence Hall	$44,165
Health Initiatives for Youth	$49,916
Hearing Society of the Bay Area, Inc.	$22,326
Holy Family Day Homes of San Francisco	$73,119
Homeless Children's Network	$74,745
Homeless Prenatal Program (HPP)	$63,000
Horizons Unlimited of San Francisco, Inc.	$30,450
Huckleberry Youth Programs	$50,000
Hunters Point Boys & Girls Club	$62,650
Idris Ackamoor and Cultural Odyssey	$75,000
Indochinese Housing Development Corporation	$75,000
Infant toddler Consortium	$53,000
Inner City Youth	$75,000
James Lick Middle School PTSA	$68,000
Jamestown Community Center	$56,000
Japanese Community Youth Council	$29,000
Jewish Family and Children's Services	$75,000
Jewish Vocational & Career Counseling Service	$40,000
Juma Ventures	$75,000
Kai Ming, Inc.	$75,000
Kids' Turn	$32,500
Korean American Women Artists &Writers Association	$70,000
La case De las Madres	$20,640
Larkin Street Youth Services	$75,000
Lavender Youth Recreation & Info Center LYRIC	$64,029
Leadership High School	$30,000
Legal Services for Children	$65,555
Literacy for Environmental Justice	$75,000
Little Children's Development Center	$75,000
Men Overcoming Violence (MOVE)	$50,100
Miraloma Nursery School	$75,000
Mission Cultural Center for Latino Arts	$66,872
Mission Area Health Associates, Inc. dba MNHC	$74,998
Mission Child Care Consortium	$75,000
Mission Dolores School	$75,000
Mission Education Projects Inc.	$31,485
Mission Housing Develop. Corp. (MHDC)	$75,000
Mission Language and Vocational School, Inc.	$74,857
Mission Learning Center	$76,800
Mission Neighborhood Centers, Inc.	$75,000
Mission Youth Soccer League	$74,850
Moss Beach Homes, Sunset Neigh. Beacon Center	$34,890
Multicultural Educational, Training & Advocacy	$8,500
Music in schools today	$43,948

Musical Theatre Works	$7,000
New Direction 21st Century	$75,000
NICOS Chinese Health Coalition	$75,000
Nihonmachi Legal Outreach dba Asian Pac. Islander	$70,499
Nihonmachi Little Friends	$75,000
Northern California Council for the community	$52,851
Northern California Service League	$55,000
Ohlhoff Recovery Programs	$31,485
Omega Boys Club	$75,000
Our Kids First	$38,461
Pacific News Services	$74,748
Parent Voices	$61,200
Parents for Public schools of San Francisco	$20,475
Parents helping Parents San Francisco	$68,228
Philippine Resource Center	$31,500
Playtime Center	$75,000
Polly's Family Support Center	$75,000
Private Industry Council	$75,000
PTA Cal. Cngrss of Parents, Teach, Stud. Alvarado	$40,400
Recreation Center for the handicapped	$32,250
Renaissance Parents of Success	$75,000
Richmond District Neighborhood Center	$17,504
SF Arts Education Project	$75,000
SF Bar Association Volunteer Legal Services Prog.	$31,655
SF Brown Bombers POP Warner Club, Inc.	$74,970
SF Conservation Corps	$62,835
SF Council of Parent Participation Nursery Schools	$5,700
SF Court Appointed Special Advocates	$75,000
SF Educational Fund	$27,254
SF General Hospital Foundation	$75,000
SF League of Urban Gardeners (SLUG)	$74,921
SF School Volunteer	$4,777
SF Starting Points Initiative	$74,000
SF Study Center	$68,275
SF Urban Service Project	$20,000
SF Women Against Rape	$32,340
SF Women's Centers, Inc.	$20,000
SFHA Housing Corporation	$74,667
SFSU Foundation Inc.	$66,250
SFSU Foundation, Inc.	$75,686
SFSU Foundation--Mission Science Wrkshops	$44,461
Soul'd Out Productions	$75,000
South of Market Child Care, Inc.	$72,186
Southwest Community Corporation	$75,000
St. Francis Memorial Hospital, Rally Family Visit.	$53,166
St. John's Educational Threshold Center-YouthSpace	$75,000
St. John's Educational Thresholds Center	$34,925
St. Vincent de Paul Society	$70,670
Stern Grove Festival Asociation	$25,000
Streetside Stories, Inc.	$14,760
Sunset Youth Services	$71,000
Support for Families of Children with Disabilities	$50,841
Telegraph Hill Neighborhood Association	$41,193

Tenderloin Neighborhood Development Corporation	$23,570
The Children's Psychological Health Ctr.	$27,830
The Community Center Project of San Francisco, Inc	$71,084
The International Institute of San Francisco	$50,000
The Korean Center, Inc.	$74,841
The Regents of the University of California	$33,090
The San Francisco Child Abuse Prevention Center	$66,267
The Young Scholars Program	$65,000
Tides Center -- Oasis	$63,585
Tides Center/Infusion-One	$75,000
United way of the Bay Area	$10,000
Vietnamese Youth Development Center	$34,026
Visitacion Valley Community Center	$74,100
Visitacion Valley Job, Education and Training	$72,638
Voice Over Video Network (dbaTILT)	$66,434
Wah Mei School	$10,000
Wajumbe Cultural Institution, Inc.	$75,000
Walden House, Inc.	$62,892
West Bay Pilipino Multi-Service, Inc.	$36,435
Westside Community Mental Health Center, Inc.	$75,000
Whitney Young Child Development Centers, Inc.	$72,400
World Arts West	$74,314
Wu Yee Children's Center	$75,000
YMCA -- Bayview Hunter's Point	$75,000
YMCA -- Chinatown	$75,000
YMCA -- Embarcadero	$24,339
YMCA -- Richmond District	$45,570
YMCA -- Shih Yu-Lang Central of San Francisco	$51,600
YMCA -- Stonestown Family YMCA	$73,416
YMCA -- Urban Services	$53,130
YMCA of San Francisco -- Mission Branch	$65,314
YMCA of SF (Buchanan YMCA)	$20,000
Young Community Developers, Inc.	$75,000
Youth Guidance Center Improvement Committee	$73,863
Total Amount Requested	**$10,810,033**
Average Request ($10,810,033/189)	**$57,196**

Item 3 – File 02-1803

Department: Mayor's Office of Housing (MOH)

Item: Resolution authorizing the issuance and delivery of multifamily housing revenue bonds (as defined herein) in an aggregate principal amount not to exceed $16,500,000 for the purpose of providing financing for a multifamily rental housing project; approving the form of and authorizing the execution of an indenture providing the terms and conditions of the bonds; approving the form of and authorizing the execution of a bond purchase contract providing the terms and conditions for the sale of the bonds; approving the form of and authorizing the execution of a regulatory agreement and declaration of restrictive covenants; approving the form of and authorizing the execution of a loan agreement; approving the form of and authorizing the execution of an intercreditor[1] agreement; approving the form of and authorizing the preparation and distribution of an official statement relating to the bonds; making low income housing findings; ratifying and approving any action heretofore taken in connection with the bonds and the project; approving and authorizing the execution and delivery of any document necessary to implement this resolution; and related matters.

Amount: Not to exceed $16,500,000

Source of Funds: Multifamily Housing Revenue Bonds

Description: This proposed resolution would authorize the City to issue Multifamily Housing Revenue Bonds in an amount not to exceed $16,500,000 to finance a multifamily rental housing development in the South of Market neighborhood of the City. The subject Multifamily Housing Revenue Bonds were authorized by the California Debt Limit Allocation Committee (CDLAC) in September 2002. The proposed resolution would also approve the form and terms of documents and official notices related to the bond sale, authorizes City officials

[1] Approval of this resolution would create an intercreditor agreement between the funding agencies, which are Citibank and the City. An intercreditor agreement provides guidelines regarding how the various funding agreements would work together.

to take various actions necessary to carry out the sale of the bonds and authorizes a loan agreement between the City and the developers for use of the bond proceeds.

The City's authority to issue the proposed $16,500,000 in Multifamily Housing Revenue Bonds comes from Article I, Chapter 43 of the Administrative Code, entitled the Residential Mortgage Revenue Bond Law, and Section 9.107 of the Charter. These provisions authorize the City to incur bonded indebtedness for the purpose of providing mortgage financing for the acquisition, construction, or rehabilitation of housing in the City to encourage the availability of residential financing for persons and families of low or moderate income. Therefore, the City can issue Revenue Bonds to provide funding to develop or refinance low- and moderate-income multifamily rental housing. Bondholders of these Revenue Bonds are repaid from payments made by the developer under the Loan Agreement, as secured by a Letter of Credit. According to Mr. Michael Martin of the City Attorney's Office, these Revenue Bonds do not require the City to pledge repayment of the bonds, and the City has no legal liability with respect to the repayment of the Revenue Bonds. With rental developments, the bondholders have only two forms of recourse for payment: (1) the project rental and mortgage payment revenues, and (2) credit enhancement (such as bond insurance or letters of credit) procured by the project developers, provided by private parties.

The general provisions of the sale of the Multifamily Housing Revenue Bonds would be as follows:

- The sale of the bonds is tentatively scheduled for December 18, 2002.
- The bonds would be issued at a variable interest rate not to exceed twelve percent and would have 34-year term, for a final maturity not later than December 1, 2036.
- A draft official statement describing the bonds to be issued is included with the proposed resolution for approval by the Board of Supervisors.

The subject Multifamily Housing Revenue Bonds would be used to partially finance the acquisition and

construction of a 98-unit multifamily rental housing development located at the corner of 1346 Folsom Street and 75 Dore Street in the South of Market for low- and moderate-income persons. Currently, 1346 Market Street is an unreinforced masonry commercial building, which contains no housing and 75 Dore is a parking lot. The building currently located at 1346 Market Street will be demolished to construct the new multifamily rental housing development.

The total estimated project costs will be $25,272,998, as shown in Attachment I, provided by the MOH. As stated previously, the proposed resolution would authorize the City to issue Multifamily Housing Revenue Bonds in an amount not to exceed $16,500,000. However, Mr. Madden advises that the Folsom/Dore project developers have estimated bond financing of $14,425,000 rather than $16,500,000 for the construction of the project (see Comment 6). In addition to the proposed bond financing of $14,425,000, the balance of the total project cost of $10,847,998 ($25,272,998 less bond financing of $14,425,000) for the 98-unit multifamily rental housing development will be financed in the following manner: (1) a contribution of $7,822,443 from the City's HOME Investment Partnership Program, (2) a $392,000 Affordable Housing Program grant from the Federal Home Loan Bank Affordable Housing Program, (3) $2,633,455 in Low-Income Housing Tax Credit Equity from investments by limited partners and costs deferred until the permanent loan financing closes, and (3) $100 in developer equity. The developer, Citizens Housing Corporation (CHC), a non-profit corporation, has already acquired the building, parking lot and related land, consisting of approximately 0.58 acres, or an estimated 25,000 square feet, located at the corner of Folsom and Dore Streets. The Folsom/Dore Associates is a California limited partnership formed for the specific purpose of developing and owning the subject multifamily rental-housing project. The tax credit limited partner has not yet been named.

According to Mr. Scott Madden of the Mayor's Office of Housing, 96 of the 98 units (with the exception of two manager's units) would be designated as below-market

rentals with rents set at 30 percent of the household's monthly income. Qualifying households in the City must earn no more than 60 percent of area median income (see Comment No. 2). Project construction is expected to begin in May of 2003 and be completed by October of 2004. The development would contain the following unit mix: 33 studios; 57 one-bedroom units; and 8 two-bedroom units. Unit amenities will include: refrigerator, garbage disposal, range/oven, heating systems, storage space and either a patio or balcony. The project will also contain a secured entry, an outdoor rear-yard deck, a courtyard at the entrance to the building, and will provide over 3,200 square feet of community space, including a community room, and offices for management and service provisions. As per the zoning requirements for the area, parking will be available for 30 vehicles.

Budget:

Attachment I, provided by the MOH, contains budget details to support the proposed project expenditures of $25,272,998. As previously noted, the funding sources for the total project cost of $25,272,998, provided by the MOH, are as follows:

Multifamily Housing Revenue Bonds (subject to this request)	$14,425,000
Developer Equity	100
Low-Income Housing Tax Credit Equity and costs deferred until permanent loan financing closes	$2,633,455
Affordable Housing Program grant from the Federal Home Loan Bank Affordable Housing Program	392,000
City's HOME Investment Partnership Program	7,822,443
TOTAL	**$25,272,998**

Comments:

1. According to Mr. Madden, the MOH expects to issue the proposed Revenue Bonds, not to exceed $16,500,000, on December 18, 2002. The proposed Revenue Bonds would have a variable interest rate, not to exceed twelve percent. The proposed resolution states that the proposed Revenue Bonds may not be issued initially at an interest rate that exceeds twelve percent. Ms. Nadia Sesay of the Mayor's Office of Public Finance advises that if the bonds

were issued at this time, these bonds would have an estimated interest rate of 1.71 percent. As stated previously, the City Attorney's Office reports that the City has no legal liability with respect to the repayment of the Revenue Bonds. Mr. Martin further advises that the $452,328 in estimated costs of financing/issuing the revenue bonds, as detailed in Attachment I, will be paid by the developers, including bond counsel fees, financial advisor fees and City Attorney's Office costs and the MOH's costs for reviewing and preparing documents related to the transaction. Attachment II, provided by the Mayor's Office of Public Finance, is a debt service schedule for the proposed Revenue Bonds.

2. Mr. Madden notes that under the regulatory agreement between the City and Folsom/Dore Associates and in accordance with the affordability standards set forth by the City's HOME Investment Partnership Program, the Folsom/Dore multifamily housing development will be subject to rent limits below the fair market value for a period of 75 years after the completion of the project in October of 2004. The Regulatory Agreement between the City and the developer, Folsom/Dore Associates, requires that Folsom/Dore Associates offer 46 of the 98 total units to households whose income is at 30 percent or below the median income and to offer 50 of the 98 total units to households whose income is at 60 percent or below the median income. Even if these 34-year bonds were paid off early, Folsom/Dore Associates would be required to maintain 96, out of the total 98 units, at below-market rate until 2079. MOH reports that the median income in the metropolitan statistical area for the year 2002 is $68,900 for a 2-person household. Therefore, to qualify for the units designated for households at 30 percent or below the median income, renters may earn no more than $20,670 for a two-person household. To qualify for the units designated for households at 60 percent or below the median income, renters may earn no more than $41,340 for a two-person household.

3. According to Mr. Daryl Higashi, the Director of the MOH, and as stated in his memorandum (Attachment III), the City has previously issued a total of $132 million

in Multifamily Housing Revenue Bonds. These bonds have provided funds for below-market rate mortgages to developers of affordable rental housing. As stated in Mr. Higashi's memorandum, since 1985, the City's Affordable Housing and Home Ownership Bond Program has financed the development of 1,319 rental units in the City, including 389 units, or approximately 29.5 percent, reserved for low-income households.

4. In June of 2002, the Board of Supervisors authorized application to the California Debt Limit Allocation Committee (CDLAC) for bond issuance authority on this project (Resolution No. 403-02). As stated previously, CDLAC granted authority to the City in September of 2002.

5. According to Mr. Madden, Cahill Contractors, which was selected through a Request for Qualifications process, will serve as the General Contractor for the construction of the Project. The design architect for the Project is David Baker & Partners, which was also selected through a Request for Qualifications process. Both Request for Qualifications selection processes were conducted by the non-profit developer, Citizen's Housing Corporation, with oversight by the City's Human Rights Commission and the Mayor's Office of Housing, according to Mr. Madden.

6. As noted above, the current project budget estimated that bond financing required for the project would be $14,425,000 rather than $16,500,000. The Budget Analyst therefore recommends that the proposed resolution therefore be amended to reduce the bond authorization amount by $1,075,000 from $16,500,000 to $14,925,000 to provide sufficient bond financing to cover the project, estimated to be $14,425,000 and a reasonable contingency of $500,000.

Recommendations:

1. In accordance with Comment 6, amend the proposed resolution to reduce the bond authorization amount by $1,575,000 from $16,500,000 to $14,925,000.

2. Approve the proposed resolution as amended.

FOLSOM/DORE APARTMENTS
USES OF FUNDS

PAGE 1-A

Revised: 27-Oct-02 7:27 PM

USES OF FUNDS	TOTAL	100.00% TOTAL RESIDENTIAL	NON-DEPREC	DEPRECIABLE RESIDENTIAL	DEPRECIABLE NON-RES	EXPENSE	AMORTIZE	100.00% TAX CREDIT ELIGIBLE CONST/REHAB	TAX CREDIT ELIGIBLE ACQUIS
ACQUISITION COSTS									
Total Purchase Price:									
5,700,000									
Land	5,700,000	5,700,000	5,700,000						
Building	0	0	0	0	0				0
Sales Commissions	0	0	0	0	0				0
Site Demolition	0	0	0						
GENERAL DEVELOPMENT COSTS									
Hard Costs	11,793,580	11,793,580	0	11,793,580	0		0	11,793,580	
Construction Contingency	1,462,711	1,462,711	0	1,462,711	0			1,462,711	
Contractor Overhead and Profit	1,267,058	1,267,058	0	1,267,058	0			1,267,058	
Local Development Impact Fees	136,141	136,141	0	136,141	0			136,141	
Local Permits/Fees	194,757	194,757		194,757	0			194,757	
Phase I/Asbestos/Toxics	40,000	40,000		40,000	0			40,000	
Site Improvements/Landscape	36,000	36,000		36,000	0			36,000	
Architecture	1,010,520	1,010,520		1,010,520	0			1,010,520	
Appraisal	12,000	12,000	0	12,000	0		0	12,000	
Market Study (TCAC)	5,000	5,000					5,000		
Construction Testing/Insp.	75,000	75,000	0	75,000	0			75,000	0
Soils Report	70,000	70,000	0	70,000	0			70,000	0
Construction Loan Interest	833,765	833,765		686,630	0	147,135		686,630	0
Predevelopment Loan Interest	2,250	2,250		2,250	0			2,250	0
Title/Recording/Escrow - Construction	30,000	30,000		30,000	0			30,000	0
Title/Recording/Escrow - Permanent	25,000	25,000					25,000		
Real Estate Taxes During Const	70,000	70,000		70,000	0	0		70,000	0
Insurance During Const	300,000	300,000		300,000	0	0		300,000	0
Soft Cost Contingency	271,919	271,919		271,919	0			271,919	
Title/Recording/Escrow - Acquisition	10,000	10,000	10,000	0					0
TCAC Application/Res/Monitoring Fee	50,647	50,647					50,647		
Legal: Acquisition	10,000	10,000	10,000	0					0
Construction Closing	13,000	13,000		13,000	0			13,000	0
Permanent Closing	2,000	2,000					2,000		
Organization of Ptnshp	5,000	5,000					5,000		
Syndication	25,000	25,000	25,000						
Syndication Consulting	40,000	40,000	40,000					0	0
Audit/Cost Certification	18,000	18,000				18,000	0		
Furnishings	50,000	50,000		50,000	0			50,000	
Vacancy/Rent-Up	38,800	38,800	0			38,800			
Capitalized Operating Reserve	262,523	262,523	262,523						
Marketing	0	0	0						
Developer Fee/GP Lease-up Fee	960,000	960,000		816,000	0	144,000		816,000	0
COSTS OF ISSUANCE/FINANCING FEES									
Underwriter Fee	90,156	90,156					90,156		
Lender Counsel	35,000	35,000					35,000		
Bond Counsel	40,000	40,000					40,000		
Underwriter Counsel	25,000	25,000					25,000		
Borrower Counsel	15,000	15,000					15,000		
Issuer Fee @ .5%	72,125	72,125					72,125		
Issuer Financial Advisor	33,000	33,000					33,000		
Trustee Fees/Counsel	6,000	6,000					6,000		
Lender Origination Fee*	82,719	82,719		60,282			22,436	60,282	
Rating	13,500	13,500					13,500		
Trustee Fee	5,500	5,500					5,500		
Printing	5,000	5,000					5,000		
Lender Expenses	15,000	15,000					15,000		
CDLAC Fee	4,328	4,328					4,328		
CDIAC Fee	0	0					0		
Contingency	10,000	10,000					10,000		
Subtotal - Financing/Costs of Issuance	*452,328*	*452,328*	*0*	*60,282*	*0*	*0*	*392,046*	*60,282*	0
TOTAL DEVELOPMENT COSTS	25,272,998	25,272,998	6,047,523	18,397,849	0	347,935	479,692	18,397,849	0

*1.5% less underwriter, underwriter council, printing and rating

TCAC DEVELOPER FEE CALCULATION	CONST.	ACQ.	total
Maximum Potential TCAC Fee	2,628,235	0	2,628,235
Percent of Total	100.00%	0.00%	100.00%
Max. Allowable Fee per TCAC and MHP (prorated)	960,000	0	960,000
Less: Broker Fee/Other Dev. Fees	0	0	0
Net Fee (Less other development costs)	960,000	0	960,000
Net Fee Adjusted (if fee goe	960,000	0	960,000

$16,500,000
City and County of San Francisco
Variable Rate Demand Multifamily Housing Revenue Bonds
Series 2002A
(Folsom-Dore Apartment Project)

November 14, 2002
6:21 PM

Annual Debt Service and Production

Summary	
Dated Date:	12/18/02
Issue Date:	12/18/02
Principal:	16,500,000.00
Production:	16,500,000.00
Accrued Interest:	0.00
Original Issue Discount:	0.00
Yield:	3.500027%

Date	Coupon	Principal	Price	Yield	Interest	Debt Service	Production
06/15/03					283,937.50	283,937.50	0.00
06/01/04	3.500%	275,000	100.000	3.500%	577,500.00	852,500.00	275,000.00
06/01/05	3.500%	285,000	100.000	3.500%	567,875.00	852,875.00	285,000.00
06/01/06	3.500%	290,000	100.000	3.500%	557,900.00	847,900.00	290,000.00
06/01/07	3.500%	305,000	100.000	3.500%	547,750.00	852,750.00	305,000.00
06/01/08	3.500%	315,000	100.000	3.500%	537,075.00	852,075.00	315,000.00
06/01/09	3.500%	325,000	100.000	3.500%	526,050.00	851,050.00	325,000.00
06/01/10	3.500%	335,000	100.000	3.500%	514,675.00	849,675.00	335,000.00
06/01/11	3.500%	350,000	100.000	3.500%	502,950.00	852,950.00	350,000.00
06/01/12	3.500%	360,000	100.000	3.500%	490,700.00	850,700.00	360,000.00
06/01/13	3.500%	370,000	100.000	3.500%	478,100.00	848,100.00	370,000.00
06/01/14	3.500%	385,000	100.000	3.500%	465,150.00	850,150.00	385,000.00
06/01/15	3.500%	400,000	100.000	3.500%	451,675.00	851,675.00	400,000.00
06/01/16	3.500%	415,000	100.000	3.500%	437,675.00	852,675.00	415,000.00
06/01/17	3.500%	425,000	100.000	3.500%	423,150.00	848,150.00	425,000.00
06/01/18	3.500%	440,000	100.000	3.500%	408,275.00	848,275.00	440,000.00
06/01/19	3.500%	460,000	100.000	3.500%	392,875.00	852,875.00	460,000.00
06/01/20	3.500%	475,000	100.000	3.500%	376,775.00	851,775.00	475,000.00
06/01/21	3.500%	490,000	100.000	3.500%	360,150.00	850,150.00	490,000.00
06/01/22	3.500%	510,000	100.000	3.500%	343,000.00	853,000.00	510,000.00
06/01/23	3.500%	525,000	100.000	3.500%	325,150.00	850,150.00	525,000.00
06/01/24	3.500%	545,000	100.000	3.500%	306,775.00	851,775.00	545,000.00
06/01/25	3.500%	565,000	100.000	3.500%	287,700.00	852,700.00	565,000.00
06/01/26	3.500%	585,000	100.000	3.500%	267,925.00	852,925.00	585,000.00
06/01/27	3.500%	605,000	100.000	3.500%	247,450.00	852,450.00	605,000.00
06/01/28	3.500%	625,000	100.000	3.500%	226,275.00	851,275.00	625,000.00
06/01/29	3.500%	645,000	100.000	3.500%	204,400.00	849,400.00	645,000.00
06/01/30	3.500%	670,000	100.000	3.500%	181,825.00	851,825.00	670,000.00
06/01/31	3.500%	690,000	100.000	3.500%	158,375.00	848,375.00	690,000.00
06/01/32	3.500%	715,000	100.000	3.500%	134,225.00	849,225.00	715,000.00
06/01/33	3.500%	740,000	100.000	3.500%	109,200.00	849,200.00	740,000.00
06/01/34	3.500%	765,000	100.000	3.500%	83,300.00	848,300.00	765,000.00
06/01/35	3.500%	795,000	100.000	3.500%	56,525.00	851,525.00	795,000.00
06/01/36	3.500%	820,000	100.000	3.500%	28,700.00	848,700.00	820,000.00
		16,500,000			11,861,062.50	28,361,062.50	16,500,000.00

MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO

WILLIE LEWIS BROWN, JR.
MAYOR

DARYL HIGASHI
DIRECTOR

MEMORANDUM

October 31, 2002

To: The Honorable Aaron Peskin, Chair, Finance and Labor Committee
The Honorable Sophie Maxwell
The Honorable Chris Daly

From: Daryl Higashi DH

Subject: Resolution Authorizing Issuance of Multifamily Housing Revenue Bonds (Folsom/Dore Apartments)

Requested Action: The Mayor's Office of Housing respectfully requests that the Finance Committee, at its meeting on Wednesday, November 20, consider the attached resolution authorizing issuance of Multifamily Housing Revenue Bonds for the Folsom/Dore Apartments.

Background: Since 1985, the City and County of San Francisco has issued a total of $132 million in Multifamily Housing Revenue Bonds. These bonds provided funds for below-market rate mortgages to developers of rental housing, with a portion of the units reserved for low income households. Since 1985, the program has financed development of 1,319 rental units in the City, including 389 units reserved for low-income households.

Repayments of these mortgages are used to make principal and interest payments on the bonds. The bonds are not "full faith and credit" obligations of the City and County of San Francisco; bondholders are guaranteed payment only from the mortgage revenues.

This resolution authorizes the City to issue bonds for the financing of the Folsom/Dore Apartments at 1346 Folsom Street and 75 Dore Street. The development will be a 98-unit building, with all units (excepting two managers' units) set aside as below-market rate rentals. The development is expected to commence construction in approximately March 2003 and be completed August 2005.

The developer of the property is Citizens Housing Corporation, a San Francisco-based non-profit housing developer with extensive development experience in providing housing for low income San Franciscans. CHC has formed a single asset corporation, Folsom/Dore, Inc., which will be the general partner of Folsom/Dore Associates, the limited partnership that will own the

development. In addition to bond financing, the development will be financed by loans from the City's HOME Investment Partnership Program (HOME) and the California Multifamily Housing Program, and by investments from limited partners who will benefit from low income housing tax credits generated by the development.

The project development budget includes all costs of the bond transaction: bond counsel and financial advisor fees, and the City Attorney costs.

Under the City's HOME loan, the development will be subject to rent regulation for a period of 75 years, which is longer than the typical 15- to 30-year affordability period of revenue bond-financed developments. It is expected that Folsom/Dore, Inc., will acquire the property from the partnership in approximately 15 years, thus ensuring long-term affordability of the development.

Fiscal Impact: The bonds and related documents clearly state that the bondholders may look only to the revenues of the project and to the credit enhancement provider for payments of principal and interest on the bonds. Therefore, the City will not be directly or indirectly liable for payments on the housing revenue bonds.

Additional Information: The resolution will be introduced at the Board of Supervisors on Monday, November 4. Bond related documents to be approved by reference in the resolution are included in the file. Please contact Joe LaTorre of the Mayor's Office of Housing at 252-3188 or Joel Lipski at 252-3119 if you have any questions.

Cc: Harvey Rose, Budget Analyst

Item 4 - File 02-1801

Department: Airport

Item: Resolution approving the Controller's certification that Airport Public Parking Facility Management Services for the San Francisco International Airport can continue to be practically performed by a private contractor at a lower cost than if the work were performed by City employees at budgeted levels.

Services to be Performed: Airport Public Parking Facility Management Services

Description: Charter Section 10.104.15 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employee.

The Controller has determined that contracting for the Airport's public parking facility management services for FY 2002-2003 would result in estimated savings as follows:

	Low	High
City-Operated Service Costs		
Parking & Taxicab		
Operations & Management	$8,585,461	$9,939,562
Security Control	2,322,510	2,697,815
Janitorial Services	1,706,356	2,021,484
Total	$12,614,327	$14,658,861
Contractual Services Costs	9,096,239	9,112,513
Estimated Savings	$3,518,088	$5,546,349*

*Rounded.

Comments: 1. According to Ms. Vicki Sundstrom of the Airport, public parking facility management services are provided at the Airport's four public parking facilities. According to Ms. Sundstrom, such services include day-to-day operations

and management of these four facilities, including staffing, cashiering, customer services, and equipment maintenance, as well as providing janitorial and security services for these facilities.

2. Ms. Sundstrom reports that this service was first certified as required by Proposition J (Charter Section 10.104.15) in FY 1980-81 and has been continuously provided by an outside contractor since that time. Ms. Sundstrom advises that employee parking management services have been contracted out separately from public parking management services since Fiscal Year 1999-2000.

3. The Contractual Services Costs used for the purpose of this analysis are based on the Airport's estimate of the FY 2002-2003 contractual costs for public parking facilities management services

4. The Controller's supplemental questionnaire with the Department's responses found in Attachment I, states that the contract period is July 1, 2002 to June 30, 2003. However, Ms. Sundstrom advises that the contract period with AMPCO began on January 3, 2002 and extends until January 2, 2002, at which time the contract may be renewed under the provisions of the existing contract with AMPCO, if the Airport and AMPCO are both in agreement, as further detailed in the memorandum from Ms. Sundstrom in Attachment II.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department: Airport Commission
Contract Services: Public Automobile Parking
Contract Period: July 1, 2002 to June 30, 2003

1. **Who performed the activity/service prior to contracting out?**
   This service has always been contracted out, it has never been operated by City personnel.

2. **How many City employees were laid off as a result of contracting out?**
   None

3. **Explain the disposition of employees if they were not laid off.**
   N/A

4. **What percentage of City employees' time is spent on services to be contracted out?**
   N/A

5. **How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?**
   Services have been contracted out since October 16, 1971, it is likely to remain contracted out.

6. **What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?**
   Yes, it has been certified each year since Fiscal Year 1980/81.

7. **How will the services meet the goals of your MBE/WBE Action Plan?**
   The contract requires a 15% combined goal MBE/WBE participation. AMPCO System Parking has met this goal by subcontracting Long Term and Valet Parking Management operations to a certified MBE firm.

8. **Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?**
   The contractor does provides health insurance for its employees.

9. **Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic partners ordinance?**
   The contractor is in compliance with the Domestic Partners Ordinance

10. **Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?**
    The contractor does comply with the provisions of the Minimum Compensation Ordinance

Department Representative: Vicki Sundstrom, Parking Management

Telephone Number: (650) 821-4056

1.02.04.03 AMPCO PROPJ 0203Questionnaire.doc

SFO

San Francisco International Airport

Attachment I

P.O Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

November 14, 2002

Mr. Salvador Sanchez
Budget Analyst
1390 Market Street, Suite 1025
San Francisco, CA 94102

Via Fax: (415)252-0461

Subject: Airport Public Parking Services Proposition J

Dear Mr. Sanchez:

Following up on your question regarding the term of agreement for the Airport Public Parking Contract. The first term of this contract with AMPCO System Parking is from January 3, 2002 to January 2, 2003. At which time the contract may be renewed, if the Airport and AMPCO System are both in agreement, under the provisions of the existing contract .

Please feel free to call me at (650)821-4056, if you should have any further questions.

Sincerely,

Vicki Sundstrom
SFIA Parking Management

1.02 04.04 public letter to budget analyst doc

Item 5 – File 02-1802

Department: Airport

Item: Resolution approving the Controller's certification that employee parking management services for San Francisco International Airport can continue to be practically performed by private contractor at a lower cost than if work were performed by City employees at budgeted levels.

Services to be Performed: Employee parking management services

Description: Charter Section 10.104.15 provides that the City may contract with private firms for services, if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be performed by private firms at a lower cost than similar work services performed by City employees.

The Controller has determined that contracting for employee parking management services to the Airport for FY 2002-2003 would result in the estimated savings as follows:

City-Operated Service Costs	Low Salary Step	High Salary Step
Salaries	$2,347,711	$2,778,915
Fringe Benefits	685,309	751252
Total	$3,033,021	$3,530,167
Contractual Services Costs	2,033,130	2,037,198
Estimated Savings	$999,891	$1,492,969

Comments: 1. Employee parking management services include the operation and management of employee parking facilities at the Airport, including security guard services and janitorial services, according to Ms. Vicki Sundstrom of the Airport. Ms. Sundstrom advises that employee

parking facilities serve employees of the Airport, airlines and other firms conducting business at the Airport.

2. Ms. Sundstrom reports that this service was first certified as required by Proposition J (Charter Section 10.104.15) in FY 1980-81 and has been continuously provided by an outside contractor since that time. Ms. Sundstrom advises that employee parking management services have been contracted out separately from public parking management services since Fiscal Year 1999-2000.

3. The Contractual Services Costs used for the purpose of this analysis are based on the Airport's estimate of the Fiscal Year 2002-2003 contractual costs for employee parking management services.

4. The Controller's supplemental questionnaire with the Department's responses found in Attachment I, states that the contract period is July 1, 2002 to June 30, 2003. However, Ms. Sundstrom advises that the contract period with Pacific Park Management began on January 3, 2002 and extends until January 2, 2002, at which time the contract may be renewed under the provisions of the existing contract with Pacific Park Management, if the Airport and Pacific Park Management are both in agreement, as further detailed in the memorandum from Ms. Sundstrom in Attachment II.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

Department:	Airport Commission
Contract Services:	Employee Automobile Parking
Contract Period:	July 1, 2002 to June 30, 2003

1. **Who performed the activity/service prior to contracting out?**
   This service has always been contracted out, it has never been operated by City personnel.

2. **How many City employees were laid off as a result of contracting out?**
   None

3. **Explain the disposition of employees if they were not laid off.**
   N/A

4. **What percentage of City employees' time is spent on services to be contracted out?**
   N/A

5. **How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?**
   Services have been contracted for Employee Parking since fiscal year 1999/2000, it is likely to remain contracted out.

6. **What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?**
   The first fiscal year for a Proposition J certification was 1999/2000.

7. **How will the services meet the goals of your MBE/WBE Action Plan?**
   The contract required 15% MBE and 3% WBE participation. Pacific Park Management is a certified MBE/SBE Company employing certified MBE and WBE subcontractors for Janitorial and Security to meeting the subcontracting goals.

8. **Does the proposed contract require that the contractor provide health insurance for its employees? Even if not required, are health benefits provided?**
   The contractor provides health insurance for its employees.

9. **Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic partners ordinance?**
   Pacifica Park Management is in compliance with the Domestic Partners Ordinance.

Department Representative: Vicki Sundstrom, Parking Management

Telephone Number: (650) 821-4056

1.02.04.04 prop j questionnaire 02-03.doc

SFO

San Francisco International Airport

Attachment II

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821 5005
www.flysfo.com

November 14, 2002

Mr. Salvador Sanchez
Budget Analyst
1390 Market Street, Suite 1025
San Francisco, CA 94102

Via Fax: (415)252-0461

Subject: Airport Employee Parking Services Proposition J

Dear Mr. Sanchez:

Following up on your question regarding the term of agreement for the Airport Employee Parking Contract. The first term of this contract with Pacific Park Management is from January 3, 2002 to January 2, 2003. At which time the contract may be renewed, if the Airport and Pacific Park Management are both in agreement, under the provisions of the existing contract .

Please feel free to call me at (650)821-4056, if you should have any further questions.

Sincerely,

Vicki Sundstrom
SFIA Parking Management

I 03.04.04 employee letter to budget analyst doc

Items 6 and 7 – Files 02-1897 and 02-1892

Departments: Administrative Services Department, Real Estate Division (RED)
San Francisco Public Utilities Commission (PUC)

Items: File 02-1897: Resolution authorizing a new five-year lease with the right of renewal for two additional terms of five years each of 139,956 square feet of office space (including 53,138 of space presently leased by the PUC) for the San Francisco Public Utilities Commission in order for the PUC to consolidate its administrative staff now located at three different locations, authorizing the termination of an existing lease for 53,138 square feet of office space at 1155 Market Street and authorizing an option for the purchase of 1155 Market Street.

File 02-1892: Ordinance appropriating $2,490,343 from existing Fund Balances (see Source of Funds under File 02-1892) for the one-time costs associated with moving to 1155 Market Street and moving the Department of Aging and Adult Services (DAAS) to 875 Stevenson Street.

File 02-1897

Location: Floors 1 through 11 (the entire building, totaling 139,956 square feet, excluding retail space on the first floor) at the building at 1155 Market Street, and the basement parking area, which can accommodate 20 vehicles.

Purpose of Lease: To provide space for the PUC's administrative staff.

Lessor: 1155 II, LLC

Lessee: Public Utilities Commission (PUC).

Term of Lease: Five years, commencing upon approval by the Board of Supervisors. The lease is estimated to begin February 1, 2003, according to Mr. Jerry Romani of the Real Estate Division.

No. of Sq. Ft. and Cost Per Month: A total of 139,956 square feet at the following cost per month:

86,818 square feet on floors 1, 2, 3, 6, 9, 10, and 11, at a base monthly rate of $173,636 ($2.00 per square foot per month), totaling $2,083,632 ($24.00 per square foot per year) for each of the five years of the proposed lease, commencing upon completion of the tenant improvement work by the Landlord on a floor-by-floor basis.

53,138 square feet on floors 4, 5, 7, and 8, at a base monthly rate of $122,616 (approximately $2.3075 per square foot per month), totaling $1,471,391 ($27.69 per square foot per year) until the PUC's existing lease at 1155 Market Street for the 53,138 square feet expires on February 31, 2003. Upon expiration of the existing lease, the cost per month for the 53,138 square feet will be $106,276 ($2.00 per square foot per month), totaling $1,275,312 ($24.00 per square foot per year) for the duration of the five year lease term, resulting in an annual reduction from the current amount of $196,079 or 13.3 percent.

Effective February 1, 2003, the PUC would pay rent of $279,912 per month or $3,358,944 annually at $2.00 per square foot per month ($24.00 per square foot annually) for the entire 139,956 square feet for the duration of the five-year lease.

Right of Renewal: Two additional terms of five years each. Each five-year option to extend would adjust the base rent to 95 percent of the then prevailing market rental rate for similar premises as determined by the Lessor based on at least five recent comparable lease transactions. If the City disputes the Lessor's determination of the prevailing market rental rate, the City can propose its own prevailing market rental rate. If the Lessor and the City still disagree, they shall each select one commercial real estate agent who will in turn select a third real estate agent to choose between the Lessor's or the City's determination of the prevailing market rental rate.

Option to Purchase: The City would have an exclusive option to purchase the 1155 Market Street building, consisting of 139,956 of office space, the basement parking area and the 825 square feet of retail space on the first floor, at a purchase price not to exceed $32,000,000. The option to purchase must be exercised within six months of the initial lease

commencement date, estimated to be February 1, 2003, if this resolution is approved by the Board of Supervisors. The escrow must close within twelve months of the exercise of such option. As stated in Attachment I, the source of funds to pay for the estimated cost of $32,000,000 in order to exercise the option on 1155 Market building "would most likely be funded through the issuance of Certificates of Participation (COPS) and the SFPUC is currently working with the Mayors Office to more clearly define the purchase process."

Utilities, Maintenance and Repairs, and Janitorial Services: The City will pay for separately metered electricity at an estimated annual cost of $1.05 per square foot for the entire 139,956 square feet or $146,954 annually. The Lessor will provide all other utilities, including heat, ventilation and air conditioning, water, maintenance and repairs and janitorial services at no additional cost to the City.

Tenant Improvements: The Lessor shall, at the Lessor's expense, provide a tenant improvement allowance of $1,302,270, or $15.00 per square foot for the additional space of 86,818 square feet to be leased on floors 1, 2, 3, 6, 9, 10, and 11. There will be no tenant improvements on the 53,138 square feet of the existing space presently leased by the PUC on floors 4, 5, 7, and 8. In the event the City exercises the option to purchase the building, the City will reimburse the Lessor for any unamortized tenant improvements based on an amortization schedule of 60 months from the date of completion of such improvements.

Description: Currently, the PUC's administrative offices are located at five separate facilities: (a) 53,138 square feet which is a portion of the proposed new lease of 139,956 square feet at 1155 Market Street (floors 4, 5, 7, and 8); (b) 4,837 square feet at 1145 Market Street; (c) 32,271 square feet at 875 Stevenson Street; (d) 10,740 square feet at 3801 3rd Street; and (e) 22,280 square feet at the City-owned building at 425 Mason Street. Under the proposed new lease at 1155 Market Street, the PUC would move administrative staff from 875 Stevenson and 425 Mason into 1155 Market Street. The City-owned 425 Mason

Street space to be vacated by the PUC would be sold, according to Mr. Gary Dowd of the PUC (see Comment No. 3). However, the PUC would not move staff currently located in the 4,837 square feet of office space now leased at 1145 Market Street or staff currently located in the 10,740 square feet of office space now leased at 3801 3rd Street (see Comment No. 4). The Department of Aging and Adult Services (DAAS) would move into the PUC's current office space of 32,271 square feet at 875 Stevenson Street in July of 2003 (see Comment No. 5).

File 02-1892

Amount: $2,490,343

Source of Funds: The proposed supplemental appropriation would be financed from the existing Fund balances as follows:

Fund	Amount
Water	$1,298,146
Clean Water	820,343
Hetch Hetchy	371,854
Total	$2,490,343

Proposed Budget: The PUC anticipates that its one-time costs associated with moving to 1155 Market Street and moving the DAAS to 875 Stevenson Street will amount to $2,490,343. Attachment II, provided by the PUC, is a budget for the $2,490,343 supplemental appropriation request, which does not include any monies for the proposed rent increase at 1155 Market Street for the additional 86,818 square feet of space. As stated in Attachment I, the PUC reports that they have sufficient funds in the PUC FY 2002-2003 budget to cover the costs of the proposed increase in rent for the 1155 Market Street lease from February 1, 2003 through June 30, 2003.

Description: The PUC is requesting a supplemental appropriation in the amount of $2,490,343 for the one-time costs associated with moving to 1155 Market Street, including $298,000 for moving the DAAS to 875 Stevenson Street (see Comment No. 5 and Attachment II).

Comments: 1. According to Mr. Dowd, and as detailed in Attachment III, the PUC currently has $2,589,967 in its FY 2002-2003 budget for rent for 107,689 square feet of administrative

office space, including all utilities, repairs, janitorial and other maintenance services, for the existing lease at 1155 Market Street, 875 Stevenson Street, and including annual maintenance and repairs, and janitorial costs at the City-owned building at 425 Mason Street. As previously noted, the estimated annual rent for the proposed new lease in 1155 Market Street is $3,358,944, for 139,956 square feet, or an annual cost of $24.00 per year per square foot. The Budget Analyst notes that proposed new lease at 1155 Market Street does not include electricity and therefore the annual estimated cost for the proposed new lease at 1155 Market Street, including electricity, is $3,505,898, for the 139,956 square feet, or an annual cost of $25.05 per square foot, including $24.00 per year per square foot for rent and an additional $1.05 per year per square foot for the utilities and related costs.

Therefore the estimated increased annual costs of this proposed lease is $915,931 (from the existing costs of $2,589,967 to $3,505,898), or an increase of 35.4 percent.

Mr. Dowd reports that the PUC projects an increase of 140 new positions associated with the PUC Capital Improvement Project (CIP) and other PUC projects, as explained in Attachment IV, provided by Mr. Dowd. In Attachment III, the PUC states that the average square feet for the 469 employees currently located at 1155 Market Street, 875 Stevenson Street and 425 Mason Street is 230 square feet and that the average square feet per employee under the proposed new lease at 1155 Market Street would be 239 square feet for 586 employees. Mr. Dowd reports that the amount of 586 employees included in Attachment III includes 117 projected new employees to be hired in association with the PUC's Capital Improvements Project and other projects as explained in Attachment IV. Mr. Dowd reports that an additional 23 new employees would be located at 3801 3rd Street for a total of 140 new employees. Regarding the 140 new positions, Mr. Dowd reports in Attachment IV that "If not for the 1155 Market Lease, the SFPUC would be forced to rent space elsewhere at rates that could exceed the currently negotiated $24.00/sq. ft."

2. According to Mr. Dowd, and as outlined in Attachment V, provided by the PUC, the PUC estimates that $1,000,000 in productivity, or the equivalent of 10 FTEs at $100,000 per year, is currently lost each year due to travel time between the current administrative offices. Therefore, the PUC estimates that the proposed consolidation of administrative employees at 1155 Market Street would save the PUC an estimated $1,000,000 in lost productivity, as explained in Attachment V. However, the Budget Analyst notes that the estimated savings of $1,000,000 would not result in budgetary reductions but is an estimate of increased productivity instead. The PUC has provided no documentation to support this estimate and the Budget Analyst is therefore unable to verify the accuracy of the productivity savings estimate. The Budget Analyst also notes that the staff currently located at 3801 3rd Street, which was included in the assessment of productivity savings, would not be located in 1155 Market Street and therefore the productivity savings would be slightly less than the PUC's estimate of $1,000,000 in productivity savings.

3. According to Mr. Jerry Romani of the Real Estate Division, the Real Estate Division plans to sell 425 Mason when the commercial real estate market improves. Mr. Romani cannot estimate when the building will be sold. Mr. Romani advises that the PUC projects that staff currently located in the City-owned 425 Mason Street facility will not be moved to 1155 Market Street until July of 2003. According to Mr. Romani, the estimated value of the City-owned 425 Mason facility is $3 million.

4. According to Mr. Dowd, the PUC will remain in the 4,837 square feet in administrative office space at 1145 Market Street because the lease for 1145 Market does not expire until June 30, 2006 and because the building is next door to 1155 Market Street.

5. The proposed supplemental appropriation includes $298,000 in one-time costs associated with moving and improvements for the DAAS to move to 875 Stevenson Street from (a) its two current leases at 1650 Mission Street, where it leases 11,000 square feet at an annual cost of $630,000 and an additional 10,300 square feet at an annual cost of $288,400 and (b) 25 Van Ness, where it

leases 4,254 square feet at an annual cost of $80,000. Thus, the DAAS currently leases a total of 25,554 square feet and would move into 32,271 square feet at 875 Stevenson Street currently leased by the PUC at an annual cost of $832,000. Therefore, DAAS will obtain an increase of 6,717 square feet or 26.3 percent more space for an annual General Fund savings of $166,400. However, the proposed supplemental appropriation also includes an additional $253,314 of one-time non-General Fund monies for rent at 875 Stevenson Street for the period of February 1, 2003 through July 31, 2003. Attachment VI, provided by Mr. Larry Jacobson of the Real Estate Division, outlines the proposed move of the DAAS to the space currently leased by the PUC at 875 Stevenson Street, including the current and proposed rent amounts.

6. Mr. Romani reports that the proposed base rent of $2.00 per square foot per month at 1155 Market Street represents fair market value. Mr. Dowd states that 1155 Market Street contains 322 workstations (listed as existing office cubicles in Attachment II) from the previous tenant, which the PUC would purchase at a discounted rate of $700 per workstation for a total cost of $225,400. Mr. Dowd states that workstations typically cost $3,500 per staff member. As shown in Attachment II, the proposed supplemental appropriation includes a total of $500,800 for furniture at 1155 Market Street including the $225,400 for used workstations, $25,400 for other furniture from the previous tenants, $175,000 for 50 new office cubicles at $3,500 each and $75,000 for modifications to the furniture.

7. The proposed supplemental appropriation includes $798,594 in costs for a new ITS mainframe computer at 1155 Market Street, including $449,526 in equipment costs and $349,068 in costs for electrical work, technical services and air conditioning. The supplemental appropriation includes an additional $479,135 for a Department of Telecommunications and Information Services (DTIS) workorder for rewiring 1155 Market Street for the PUC. Attachment VII explains the justification for the proposed new ITS mainframe computer and details the DTIS costs. Attachment VII also includes $457,398 for equipment costs, which is

$7,872 more than the amount of $449,526 included in the supplemental appropriation. Mr. Dowd reports that the difference of $7,872 is due to the omission of the Committee on Information Technology (COIT) fee in the budget. Mr. Dowd reports that the PUC will be able to absorb the $7,872 in its current FY 2002-2003 budget.

Recommendation: The Budget Analyst considers Files 02-1897 and 02-1892 to be a policy matter for the Board of Supervisors because the proposed lease at 1155 Market Street would (a) result in additional PUC costs of $915,931 annually, and (b) productivity savings estimated by the PUC at $1,000,000 annually for which no documentation has been provided by the PUC. The Budget Analyst notes that the PUC will be hiring a total of 140 new positions. Regarding the 140 new positions, Mr. Dowd reports in Attachment IV that "If not for the 1155 Market Lease, the SFPUC would be forced to rent space elsewhere at rates that could exceed the currently negotiated $24.00/sq. ft.". The DAAS would be moved to 875 Stevenson Street and occupy increased space at an annual General Fund savings of $166,400.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

DATE: November 14, 2002

TO: Sarah Graham, Budget Analyst Office

FROM: Garrett M. Dowd
Director, SFPUC, Real Estate Services

RE: Proposed Lease at 1155 Market Street

This is in response to your questions related to how the SFPUC plans to fund additional rent for the 1155 Market Street property as well as fund the Option to Purchase.

I have been assured by Mr. Carlos Jacobo of our Finance Bureau that the current budgeted rent for Fiscal Year 2002 –2003 is sufficient to cover the anticipated overlap between the first scheduled move in February 2003 and the end of the Fiscal Year.

I have also been informed that the Option to Purchase the Building would most likely be funded through the issuance of Certificates of Participation (COPS) and the SFPUC is currently working with the Mayors Office to more clearly define the purchase process.

Further questions related to these topics can be addressed to Mr. Jacobo. He can be reached at 487-5253.

SFPUC
Cost of Move to 1155 Market

Description	Cost
ITS Mainframe Computer Buildout:	
1,200 sq. ft. @ $153	$ 183,768
Electrical	40,500
Technical Services	44,800
Air Conditioning	80,000
Subtotal	**$ 349,068**
Equipment Cost	449,526
Total Mainframe Costs	**$ 798,594**
Work Order to DTIS for Rewiring	**$ 479,135**
Moving Costs: (Detail Attached)	**$ 100,000**
Security System	**$ 35,500**
Fill Behind (875 Stevenson)	**$ 253,314**
Move Costs of Dept. of Aging	**$ 298,000**
Furniture Costs	
Existing Office Cubicles (322 @ $700)	$ 225,400
Misc. Furniture	25,400
50 new cubicles @ $3,500/cube	175,000
Subtotal	**$ 425,800**
Furniture Modification/Buildout	75,000
Total Furniture Costs	**$ 500,800**
Work Order to Real Estate	**$ 25,000**
Total Moving Cost	**$2,490,343**

Source: PUC

11/7/02

PUC Financial Justification Plan for Consolidation to 1155 Market Street

Office Location	Sq. Ft. Area	Annual Rent	Rent/Sq.Ft.	No. of Employees	Sq.Ft./Employee
Current:					
1155 Market St.	53,138	$1,471,200	$27.69	238	223
875 Stevenson St.	32,271	760,000	$23.55	110	293
425 Mason St.	22,280	358,767*	$16.10	121	184
TOTAL	107,689	$2,589,967	$24.05 Avg.	469	230 Avg.
Proposed:					
1155 Market St.	139,956	$3,358,944	$24.00	586	239 Avg.

- Annual rent increase of $768,977 provides 32,267 sq. ft. of additional office space at a cost of $23.83/sq.ft./yr.
- The additional area of 32,267 sq.ft. provides space for a minimum of 117 new employees with an avg. of 275 sq. ft. per employee. When combined with the current space the avg. sq. ft./employee is reduced to 239 sq. ft., as shown above.

*This figure represents the annual maintenance/repair and janitorial costs at the City-owned 425 Mason St. facility.

H:\1155MPUCFinancialPlanForMayor'sOffice.doc

DATE: November 14, 2002

TO: Sarah Graham, Budget Analyst Office

FROM: Garrett M. Dowd
Director, SFPUC, Real Estate Services

RE: Proposed Lease at 1155 Market Street

This is in response to your question related to the number of new positions the SFPUC anticipates filling over the next few years and how that relates to the need for additional office space at 1155 Market Street.

The SFPUC recently compiled data on existing budgeted staff as well as projections for new staff over the next few years in all SFPUC departments. The result of these surveys shows a need for space to accommodate a minimum of 140 new positions.

Of these 140 new positions 18 are currently budgeted to support the new CIP effort. With the recent passage of Proposition A the remaining positions will be handled through a pending Supplemental Appropriation and the 2003-2004 Budget request.

If not for the 1155 Market Lease the SFPUC would be forced to rent space elsewhere at rates that could exceed the currently negotiated $24.00/sq. ft.

If I can be of further assistance please feel free to contact me at 487-5211.

PENSETY

Business Justification: Increased Efficiency

The consolidation of the SFPUC administrative offices will increase the overall efficiency of the organization since all of it's administrative resources will be located in a single facility.

Currently, an estimated 400 hours are wasted per week by 140 resources traveling back and forth between one or more of the following offices located in various parts of the City: 1155 Market Street, 425 Mason Street, 875 Stevenson Street and 3801 3rd Street.

This wasted time should be considered as a loss in productivity of approximately 10 Full Time Equivalents (FTE's) or $1 Million.

400 hours per week / 40 hours per week per resource = 10 FTE's

OR

10 resources X $100,000 the fully loaded cost of each resource = $1,000,000

City and County of San Francisco

Real Estate Division
Department of Administrative Services

November 14, 2002

TO: Sarah Graham
Budget Analyst's Office

FROM: Larry Jacobson
Real Estate Division

SUBJECT: Backfilling offices at 875 Stevenson Street following the relocation of PUC offices to 1155 Market Street

The San Francisco Public Utilities Commission staff is scheduled to relocate its offices from the third floor at 875 Stevenson to 1155 Market before March 1, 2003. The following is the backfill plan for the Department of Aging and Adult Services (DAAS) to move into third floor.

Program*	Office Bldg	Floor	Current Sq.Ft.	Potential Backfill
PA/PG	1650 Mission	1st	11,046	DHS
IHSS	1650 Mission	2nd	9,930	Lease expires
IHSS	1650 Mission	3rd	10,218	DHS
DAAS	25 Van Ness	6th	4,254	DPH
TOTAL			35,448	

PA/PG	Public Administrator/Public Guardian
IHSS	In Home Senior Services
DAAS	Department of Aging and Adult Services
DHS	Department of Human Services
DPH	Department of Public Health

cc:
Darrick Lam
Larry Ross
Jerry Romani
Ben Rosenfield
Gary Dowd
Rose Chow
Carlos Jacobs
Nathan Banwart
Kieu-Am King
James Maclachlan
Marc McDonald

LJ/875Stevensn/backfill reloc of PUC1155 GrahamS

(415) 554-9850
FAX: (415) 552-9216
Office of the Director of Property
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

875 Stevenson Street Backfill from DAAS at 1650 Mission Street

Initial Expenses

Item	Minimum
Rent: 2/1/03 to 8/31/03 (6 months)	--
Moving and miscellaneous: 32,000 square feet at $2.00	$64,000
Data and Telephone: 125 people *	40,000
Real Estate Work Order:	$20,000
Minor TIs: ** 32,000 square feet at $5.00	$160,000
Sub Total	$284,000
Contingency: (5%)	$14,000
Total	$298,000

Ongoing Expenses

Current	sf	Rent per year	Rent psf/yr
25 Van Ness	4,254	$ 80,000	$ 18.81
1650 Mission - 1st floor	11,000	$ 630,000	$ 57.27
1650 Mission - 3rd floor	10,300	$ 288,400	$ 28.00
Total	25,554	$ 998,400	$ 39.07
875 Stevenson	sf	Rent per year	Rent psf/yr
	32,000	$ 832,000	$ 26.00
Difference	Additional sf	Annual Savings	
	6,446	$ 166,400	

* - Reconfiguring and installing handsets, new phone numbers
- Software package for APS
- New handsets for secretary, executives

** Touch up paint
Some carpet

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1155 Market Move

The SFPUC's Network Communications Center (NCC) will be relocated from 425 Mason to 1155 Market. All data communications is routed via the NCC. Access to mission critical computer systems is dependent upon a fully functional NCC, therefore a parallel system must be in place and tested prior to the data center move in order to mitigate network downtime. Network downtime will result in lost staff productivity.

The current equipment at the Data Center and equipment at sites targeted for the move cannot handle the increased concentration of staff at one location. Existing equipment is designed for geographically dispersed network architecture and will not accommodate the centralized network architecture at 1155 Market.

The equipment in the NCC:
- Links all of the network switches located on each floor at 1155 Market to the SFPUC network.
- Connects the NCC to other SFPUC networks. For example, Millbrae Water Supply and Treatment facilities, Hetch Hetchy facilities at Moccasin, CA, Southeast Treatment Plant, Harry Tracy and Sunol Water Treatment Plants, etc.
- Connects the NCC to other CCSF Departments such as DTIS, DPW, DHR, and MUNI.
- Connects the SFPUC network to the Internet and external business partners (eg. BAWUA, Online Bill Payments, ISO Energy schedules, PG&E file transfers)
- Provides network security

Listed below is the equipment necessary to provide the services above:

Core NCC Network Switch and Components

Equipment	Quantity	Unit Price	Extended Price	Function
Catalyst 6513 Chassis w/ 2500W AC Power Supply	1	20,995.00	20,995.00	Core network switch. Chassis only. Hardware components to populate chassis and software are not included.
Catalyst 6000 2500W AC Power Supply	1	4,995.00	4,995.00	Power supply for core network switch
Cat6K Sup2 with 256MB DRAM on Sup2 and MSFC2	1	39,795.00	39,795.00	Software and memory card for the network switch. The software configuration is stored in the memory card.
Catalyst 6000 16-port GB-Ethernet Mod. (Req. GBIC)	1	19,995.00	19,995.00	Fiber connection card fo the core network switch. All of the floors at 1155 Market will be connectec via fiber to this fiber card
Catalyst 6500 16-port Gig/Copper Module, x-bar	1	15,995.00	15,995.00	Copper wire connection card for the core networl switch. CAT-5 connections for the servers on the 10th floor server room and in the

Source: PUC

Equipment	Quantity	Unit Price	Extended Price	Function
				9th floor NCC room
Catalyst 6500 Switch Fabric Module 2	1	10,995.00	10,995.00	The Processor card (CPU) for the Switch.
Catalyst 6000 Content Switching Module	1	39,995.00	39,995.00	Load balancing software. This is the data "traffic director"
Firewall Service Module for Cisco 6500 (incl s/w)	1	20,000.00	20,000.00	Software to connect the network switch to the PIX firewall box.
1000BASE-SX Short Wavelength GBIC (Multimode only)	52	500.00	26,000.00	Fiber-end connectors for core network switch and network switches for all eleven floors.
PIX 525UR Bundle (Chassis, unrestricted SW, 2 FE ports,VAC)	1	18,495.00	18,495.00	Firewall security to Internet. Currently the SFPUC has two connections to the Internet. One of those connections will be move to 1155 Market prior to the 425 Mason move.
7206VXR with NPE-400 and GE+E I/O controller	1	17,500.00	17,500.00	Core network router. Connects all remote SFPUC networks, CCSF networks and the Internet to the NCC.
8-Port Serial, V.35 Port Adapter	2	8,000.00	16,000.00	Network router card for Pacbell data lines.
Cisco 7200 AC Power Supply With United States	1	3,000.00	3,000.00	Power supply for Core network router
Liebert Power Conditioner - 50kVa	1	8,880.00	8,880.00	Protects equipment in the NCC from power surges and sags. Power surges can damage electronic equipment.
Muni Adtran DSUs	8	500.00	4,000.00	Muni data lines to SFPUC mainframe to access the MMS and VMS systems. Currently the lines are 9.6kbps circuits. Pacbell not longer sells new circuits at such low transfer rates. Hardware has be be upgrade to suppport 56kbps circuits.

Source: PUC

SubTotal NCC Equipment Cost	266,640.00
Tax 8.5%	22,664.40
COIT 1.9%	5066.16
Total NCC Equipment Cost	**294,370.56**

Mainframe Data Center and Server Room

The SFPUC's Data Center will be relocated from 425 Mason to 1155 Market. The Data Center houses the SFPUC mainframe and servers for enterprise computer systems. The Data Center is currently located in one environmentally controlled room at 425 Mason. The move to 1155 Market will require that the mainframe equipment and server equipment be located in separate rooms. Both rooms must remained in a controlled environment with clean electrical power; this necessitates the acquisition of additional line conditioners and UPS.

Equipment	Quantity	Unit Price	Extended Price	Function
Liebert Power Conditioner - 50kVa	2	8,880.00	17,760.00	Protects equipment in the mainframe and server rooms from power surges and sags. Power surges can damage electronic equipment
UPS	1	40,000.00	40,000.00	UPS for server room.

SubTotal Data Center Equipment Cost	57,760.00
Tax 8.5%	4909.60
COIT 1.9%	1097.44
Total Data Center Equipment Cost	**63,767.04**

Network Equipment for Wiring Closets

Equipment	Quantity	Unit Price	Extended Price	Function
1st Floor				
Catalyst 3550-48 48-10/100 and 2 GBIC ports:Std Multilayer SW	2	4,995.00	9,990.00	Switch to connect desktops and printers to the network
2nd Floor				
Catalyst 3550-48 48-10/100 and 2 GBIC ports:Std Multilayer SW	3	4,995.00	14,985.00	Switch to connect desktops and printers to the network
3rd Floor				
Catalyst 3550-48 48-10/100 and 2 GBIC ports:Std Multilayer SW	2	4,995.00	9,990.00	Switch to connect desktops and printers to the network

Source: PUC

6th Floor				
Catalyst 3550-48 48-10/100 and 2 GBIC ports:Std Multilayer SW	3	4,995.00	14,985.00	Switch to connect desktops and printers to the network
9th Floor				
Catalyst 3550-48 48-10/100 and 2 GBIC ports:Std Multilayer SW	3	4,995.00	14,985.00	Switch to connect desktops and printers to the network
10th Floor				
Catalyst 3550-48 48-10/100 and 2 GBIC ports:Std Multilayer SW	3	4,995.00	14,985.00	Switch to connect desktops and printers to the network
11th Floor				
Catalyst 3550-48 48-10/100 and 2 GBIC ports:Std Multilayer SW	2	4,995.00	9,990.00	Switch to connect desktops and printers to the network

SubTotal Wiring Closet Equipment Cost	89910.00
Tax 8.5%	7642.35
COIT 1.9%	1708.29
Total Wiring Closet Equipment Cost	**99,260.64**

The total cost for the Equipment including tax and COIT fee is:

Total NCC Equipment Cost	294,370.56
Total Data Center Equipment Cost	63,767.04
Total Wiring Closet Equipment Cost	99,260.64
Total Equipment Cost	**457,398.24**

Source: PUC

CITY AND COUNTY OF SAN FRANCISCO

Lewis W. Loeven III
Executive Director

Telephone: (415) 554-0801

DEPARTMENT OF TELECOMMUNICATIONS AND INFORMATION SERVICES

Dana L. Horn
Chief Operations Officer

Telephone: (415) 554-7676 Fax: (415) 554-4733

Judi Soto
Network Engineering Consultant
Telephone: (415) 550-2777 Fax: (415) 550-2705

Through: Mr. Michael Levy, Network Technology Manager

4

Gary Dowd
Land Division Manager
Public Utilities Commission
1155 Market, 5th floor
San Francisco, CA 94102

Dear Gary:

The Department of Telecommunications and Information Services is pleased to present the cost estimate relative to your upcoming consolidation of the PUC offices at 3801 Third Street, 875 Stevenson and 425 Mason Street offices into various floor at 1155 Market Street.

The telephone system at 1155 Market would require additional trunking, and additional numbers. Also included are the circuit charges for the mainframe and the Internet connection for your department. These are referenced as Pacific Bell charges below. Additional equipment is also required to enhance the trunking as well as new sets and pack for the employees moving from 3801 Third Street. Further, both the PBX and voicemail systems at 425 Mason will be moved (with the voicemail upgraded to facilitate all PUC employees at 1155 Market. These are the Avaya costs below. The wiring charges are based on the walkthru and need to be refined, as we are able to gain access to the floors to further tone and test. These are the DTIS charges you see:

Total costs for this move [redacted] down as follows:

Pacific Bell:	$ 35,065 installation (one-time)
Avaya:	$117,870 equipment/upgrades
DTIS	$222,000 wiring labor
	$100,700 wiring materials
	$ 3,500 project mgmt

Work will commence upon receipt of a certified work order. If you have any questions, please call me at 550-2777.

Very truly yours,

Judi Soto
Network Engineering Consultant

Cc: Flash Gordon

City and County of San Francisco
Meeting Minutes
Finance Committee

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA
94102-4689

Tuesday, November 26, 2002 **3:00 PM** **City Hall, Room 263**

Special Meeting

Members Present: Aaron Peskin, Chris Daly, Sophie Maxwell.

MEETING CONVENED

The meeting convened at 3:05 p.m.

021219 **[Tax Penalty Amnesty Program]**

Supervisor McGoldrick

Ordinance amending the San Francisco Business and Tax Regulations Code to: (i) amend Article 17 thereof to establish a two month business tax penalty amnesty program during the 2002 - 2003 fiscal year, and (ii) amend Article 6 thereof to increase penalties for failing to pay taxes, underreporting of taxes, failing to file a tax return and failing to obtain a business registration certificate.

7/8/02, RECEIVED AND ASSIGNED to Finance Committee. (7/16/02 - Referred to Small Business Commission for comment and recommendation.)

10/2/02, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

Heard in Committee. Speakers: Supervisor McGoldrick; Theodore Lakey, Deputy City Attorney; Susan Leal, Treasurer; Harvey Rose, Budget Analyst; Edward Harrington, Controller.
Continued to 1/15/03.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance amending the San Francisco Business and Tax Regulations Code to: (i) amend Article 17 thereof to establish a two month business tax penalty amnesty program during the 2002 - 2003 fiscal year, and (ii) amend Article 6 thereof to increase penalties for failing to pay taxes, underreporting of taxes, and failing to file a tax return.

CONTINUED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020549 **[Special Use District to allow an approved live/work project convert to residential]**
Supervisor Daly

Ordinance amending the San Francisco Planning Code by adding Section 249.23 to create the Fourth and Freelon Streets Special Use District encompassing the property zoned Service Light Industrial and bounded by Fourth Street, Freelon Street, Zoe Street and Welsh Street and by adding Section 263.16 to create special height and bulk exceptions for the Fourth and Freelon Streets Special Use District, which would allow previously approved but unbuilt live/work units to convert to market-rate residential units and additional market-rate residential units to be constructed with an allowable increase in height from 50' to 85' and a dwelling unit density governed by the permissible building envelope; provided that (i) the developer shall construct at the developer's sole expense, on land owned or purchased by the developer, off-site affordable housing with square footage equal to 15% of the total residential units to be constructed offset by the cost of land acquisition, (ii) the units shall be affordable to low- and moderate income households with income not exceeding 60% of San Francisco's median income and (iii) upon completion, the affordable housing development shall be owned, managed and operated by a nonprofit housing organization.

(Companion measure to File 020550.)

(Final Environmental Impact Report, dated September 7, 2000)

4/8/02, ASSIGNED UNDER 30 DAY RULE to Transportation and Commerce Committee, expires on 5/8/2002. 4/12/02 - Transmitted to Planning Commission for public hearing and recommendation.

8/9/02, TRANSFERRED to Finance Committee.

11/14/02, RESPONSE RECEIVED. (From Planning Department, Addendum to Final Environmental Impact Report, dated November 7, 2002)

11/20/02, CONTINUED. Heard in Committee. Speakers: Sue Hestor; Theodore Lakey, Deputy City Attorney; Supervisor McGoldrick; Gabriel Metcalf, Deputy Director, SPUR and Housing Action Coalition; Antoinetta Stadlman; Randy Shaw, Tenderloin Housing Clinic; Joe O'Donohue; Alice Barkley, Attorney for Property Owner; Sam Dodge, Central City SRO Collaborative; Ernest Bush; Mark Ellinger, Central City SRO Collaborative; Oscar McKinney; Joanna Hagerty; Delphine Brody, Tenant Advocate, Mental Health Association; Otto Duffy, Tom Waddell Health Center Advisory Board; Orville Luster, Executive Director, Youth for Service; Thomas LeRoux, President of Board, Youth for Service; Samuel Devore, Metropolitan Fresh Start Drug Rehab. Project; Mary Rogers; Lucian Blazej, Strategic Solutions; Joe Cassidy, Project Sponsor; Manny Flores, Carpenters Union, Local 22; Charles Breidinger; Charles Moore.
Continued to Special Meeting on Tuesday, November 26, 2002, at 3:00 p.m.

Heard in Committee. Speakers: Jean-Paul Samaha, Senior Policy Analyst and Liaison to Board of Supervisors, Planning Department; Paul Lord, Planning Department; Miriam Chion, Planning Department; Supervisor McGoldrick; Judith Boyajian, Deputy City Attorney; Joe Cassidy; Lucian Blazej; Randy Shaw; Alice Barkley; Robert Scott; Edward Kaplan, Kaplan Architects; Nathan Pahucki; Chris Slattery; David Lewis; Paul Homchick; Elizabeth Dodd; Theodore Lakey, Deputy City Attorney; Andy Sills; Jeff Gotelli; Michael Nulty, Tenant Associations Coalition; Weldon Jackson; Sam Dodge, Central City SRO Collaborative; Samuel Lagasca; Delphine Brody, Central City SRO Collaborative; Anna Pahucki; Randy Shaw, Tenderloin Housing Clinic; Anna Bolton-Arguello; Madeleine Heinser; Gen Fujioka, Asian Law Caucus; Angelene O'Loughlin; Anndo Davis; Calvin Welch; Sue Hestor; Male Speaker; Joe O'Donohue, Residential Builders; John Bardis.
Continued to 12/11/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

020550 **[Zoning Map Amendment]**

Supervisor Daly

Ordinance amending the San Francisco Planning Code by amending the Zoning Map of the City and County of San Francisco to change the use classification and the height and bulk designation of the property zoned Service Light Industrial and bounded by Fourth Street, Freelon Street, Zoe Street and Welsh Street.

(Final Environmental Impact Report, dated September 7, 2000)

4/8/02, ASSIGNED UNDER 30 DAY RULE to Transportation and Commerce Committee, expires on 5/8/2002. 4/12/02 - Transmitted to Planning Commission for public hearing and recommendation.

8/9/02, TRANSFERRED to Finance Committee.

11/14/02, RESPONSE RECEIVED. (From Planning Department, Addendum to Final Environmental Impact Report, dated November 7, 2002)

11/20/02, CONTINUED. Heard in Committee. Speakers: Sue Hestor; Theodore Lakey, Deputy City Attorney; Supervisor McGoldrick; Gabriel Metcalf, Deputy Director, SPUR and Housing Action Coalition; Antoinetta Stadlman; Randy Shaw, Tenderloin Housing Clinic; Joe O'Donohue; Alice Barkley, Attorney for Property Owner; Sam Dodge, Central City SRO Collaborative; Ernest Bush; Mark Ellinger, Central City SRO Collaborative; Oscar McKinney; Joanna Hagerty; Delphine Brody, Tenant Advocate, Mental Health Association; Otto Duffy, Tom Waddell Health Center Advisory Board; Orville Luster, Executive Director, Youth for Service; Thomas LeRoux, President of Board, Youth for Service; Samuel Devore, Metropolitan Fresh Start Drug Rehab. Project; Mary Rogers; Lucian Blazej, Strategic Solutions; Joe Cassidy, Project Sponsor; Manny Flores, Carpenters Union, Local 22; Charles Breidinger; Charles Moore. Continued to Special Meeting on Tuesday, November 26, 2002, at 3:00 p.m.

Heard in Committee. Speakers: Jean-Paul Samaha, Senior Policy Analyst and Liaison to Board of Supervisors, Planning Department; Paul Lord, Planning Department; Miriam Chion, Planning Department; Supervisor McGoldrick; Judith Boyajian, Deputy City Attorney; Joe Cassidy; Lucian Blazej; Randy Shaw; Alice Barkley; Robert Scott; Edward Kaplan, Kaplan Architects; Nathan Pahucki; Chris Slattery; David Lewis; Paul Homchick; Elizabeth Dodd; Theodore Lakey, Deputy City Attorney; Andy Sills; Jeff Gotelli; Michael Nulty, Tenant Associations Coalition; Weldon Jackson; Sam Dodge, Central City SRO Collaborative; Samuel Lagasca; Delphine Brody, Central City SRO Collaborative; Anna Pahucki; Randy Shaw, Tenderloin Housing Clinic; Anna Bolton-Arguello; Madeleine Heinser; Gen Fujioka, Asian Law Caucus; Angelene O'Loughlin; Anndo Davis; Calvin Welch; Sue Hestor; Male Speaker; Joe O'Donohue, Residential Builders; John Bardis.

Continued to 12/11/02.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Daly, Maxwell

ADJOURNMENT

The meeting adjourned at 6:22 p.m.

.25
/02

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

November 21, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: November 26, 2002 Special Finance Committee Meeting

Item 1 - File 02-1219

Note: This item was continued by the Finance Committee at its meeting of October 2, 2002.

Department: Treasurer/Tax Collector

Item: Ordinance amending the Business and Tax Regulations Code to: (1) amend Article 6 Sections 6.17-1 through 6.17-4 to increase penalties imposed upon businesses who fail to: (a) pay the Payroll Tax or the Gross Receipts Tax owed to the City, or (b) file a business tax return or who file a business tax return subsequent to the City's due dates, and (2) amend Article 17 Sections 1700 through 1707 to establish a Business Tax Penalty Amnesty Program during Fiscal Year 2002-2003 for penalties owed to the City on delinquent annual Business Registration Certificate fees and on delinquent Payroll Tax and Gross Receipts Tax for tax periods ending on or before December 31, 2001.

Description: Prior to January 1, 2000, firms doing business in the City were required to pay the City either the Payroll Tax or the Gross Receipts Tax, whichever was higher, as an excise tax for engaging in business in the City. The City currently imposes only the Payroll Tax on firms engaged

in business in the City since the Gross Receipts Tax was repealed on January 1, 2000 (Ordinance No. 63-01). The proposed ordinance would apply to penalties on both the Payroll Tax and the Gross Receipts Tax, depending on the tax periods for which the penalty applies.

In addition to paying business taxes, firms engaging in business in the City must obtain an annual Business Registration Certificate from the Office of the Treasurer/Tax Collector. Business Registration Certificate fees and business taxes are remitted to the City's General Fund. Businesses that (a) fail to obtain an annual Business Registration Certificate or fail to obtain their Business Registration Certificate by the Certificate's due date, (b) fail to file a business tax return or file such returns subsequent to the City's due dates, or (c) fail to pay their business taxes owed to the City, are subject to penalties as set forth in Article 6 Sections 6.17-1 through 6.17-4 of the Business and Tax Regulations Code.

The proposed ordinance would amend the Business and Tax Regulations Code as follows:

- Amend Section 6.17-1 to increase the penalty for failure to pay the required business taxes. Under current law, businesses are subject to penalties of 5% of the amount of the delinquent taxes for each month or fraction of the month from the time the tax becomes delinquent until paid, not to exceed 20% in the aggregate. Under the proposed ordinance, the not-to-exceed penalty would increase from 20% of the amount of delinquent taxes to 25% of the amount of the delinquent taxes. In addition, the proposed ordinance would amend Section 6.17-1 to increase the additional penalty for failure to pay any business taxes for a period of 90 days after notification by the Tax Collector's Office that the tax is delinquent, from the current flat penalty of 20% of the amount of the delinquent taxes to a flat penalty of 25% of the amount of the delinquent taxes.
- Amend Section 6.17-2 to increase the penalty for underreported business taxes. Under current law, businesses are subject to penalties of 5% of the amount of the underreported tax for each month or fraction of

the month from the time the tax becomes delinquent until paid, not to exceed 20% in the aggregate. Under the proposed ordinance, the not-to-exceed penalty would increase from 20% of the amount of delinquent taxes to 25% of the amount of the delinquent taxes.

- Amend Section 6.17-3 to increase the penalty for failure to file a business tax return that is required by the Business and Tax Regulations Code from the current penalty of $100 to $250 for each such failure to file.
- Amend Section 6.17-4 to add a provision stating that, during the proposed amnesty period (see below), for any business that applies for and receives a waiver of penalties under the proposed Business Tax Penalty Amnesty Program, the Tax Collector may not waive or otherwise reduce interest for the period or periods covered by the business' amnesty application. Under the current and proposed amended Business and Tax Regulations Code, interest accrues at the rate of one percent per month, or fraction of a month, from the date that business taxes become delinquent.
- Amend Article 17 to establish a Business Tax Penalty Amnesty Program in Fiscal Year 2002-2003. Under the proposed ordinance, the Tax Collector would designate by February 1, 2003 a 60-day amnesty application period to begin on or after March 1, 2003 and to conclude on or before June 30, 2003, during which time the Tax Collector would accept applications to participate in the Business Tax Penalty Amnesty Program for Fiscal Year 2002-2003. The last such Business Tax Penalty Amnesty Program approved by the Board of Supervisors was in 1995.

Liabilities that would be forgiven under the proposed Business Tax Penalty Amnesty Program as set forth in the proposed amended Article 17 of the Business and Tax Regulations Code include penalties owed for failure to pay annual Business Registration Certificate fees, penalties owed for failure to file a business tax return or for filing late, and penalties owed for failure to pay business taxes for tax periods ending on or before December 31, 2001. Liabilities that would not be forgiven under the proposed Business Tax Penalty Amnesty Program include unpaid

Business Registration Certificate fees, unpaid business taxes, accrued interest on delinquent taxes, penalties owed as a result of a jeopardy determination[1] that has become final prior to the 60-day amnesty application period, penalties paid prior to the amnesty period, and penalties owed which are related to any determination under administrative review, or penalties owed that are included in any civil tax collection litigation commenced by the Tax Collector, prior to the 60-day amnesty application period.

To qualify for the Business Tax Penalty Amnesty Program, a business must: (a) file completed business tax returns for all periods for which the business has not previously filed a business tax return or not filed an amended business tax return for all periods for which the business underreported taxes owed to the City, (b) pay in full all business taxes and interest due to the City (see Comment No. 7d), and (c) execute a written waiver of the business' rights to seek a refund of the amounts paid to the Tax Collector for all periods for which the business submits a tax penalty amnesty application under the proposed Business Tax Penalty Amnesty Program.

If a business qualifies to participate in the Business Tax Penalty Amnesty Program, the Tax Collector shall: (a) waive all penalties for failure to pay annual Business Registration Certificate fees or failure to file a business tax return, (b) waive all penalties for delinquent business taxes, (c) refrain from initiating proceedings to suspend or revoke the Business Registration Certificate previously issued to the business, and (d) refrain from initiating any civil action against the business for the tax periods for which the tax penalty amnesty is granted.

Comments:

1. The Attachment is a memorandum from Mr. George Putris of the Treasurer/Tax Collector's Office showing the results of the last 1995 Amnesty Program. According to Mr. Putris, the 1995 Business Tax Penalty Amnesty Program was effective from December 1, 1994 to January

[1] Mr. Mark Buckley of the Treasurer/Tax Collector's Office explains that a jeopardy determination is when the timeline for payment of taxes is expedited due to the potential flight risk of the taxpayer.

31, 1995. The Attachment shows that as a result of the 1995 Business Tax Penalty Amnesty Program, the City realized $4,949,336 in delinquent Business Registration Certificate fees and business taxes offset by additional City costs of $770,952, for a net revenue gain to the City of $4,178,384. Mr. Putris reports in the Attachment that "the aggregate amount of penalties waived in connection with the 1995 Amnesty Program were not recorded at the time and cannot easily be determined now." The Treasurer/Tax Collector's Office has no information on the amount of revenue forgone by the City under the 1995 Amnesty Program, representing penalties on the delinquent taxes and Business Registration Certificate fees.

2. Mr. Putris states in the Attachment, "If all delinquent taxpayers with collectable accounts availed themselves of the proposed Business Tax Penalty Amnesty Program, the total amount of outstanding penalties subject to forgiveness would be $12,466,561."

3. As detailed in the Attachment, Mr. Putris reports that the Treasurer/Tax Collector's Office would need to request a supplemental appropriation of $1,321,181 in Fiscal Year 2002-03 to cover the costs of staff time and related costs that would be required to process applications for the Business Tax Penalty Amnesty Program should this proposed ordinance be approved by the Board of Supervisors. Mr. Putris advises that the estimated supplemental appropriation of $1,321,181 is the amount of additional funds that the Treasurer/Tax Collector's Office would require if the applications for the proposed Business Tax Penalty Amnesty Program were to be accepted for a 60-day period. According to Mr. Ed Harrington, Controller, the Controller's Office is unable at this time to certify increased business tax revenues and related interest income that might result from implementation of this proposed ordinance which could serve as a source of funds for such a supplemental appropriation.

4. As previously noted, an increase in penalties would be imposed on businesses (a) which fail to pay business taxes

owed to the City, from the current not-to-exceed penalty of 20% of the amount of taxes owed to a proposed not-to-exceed penalty of 25% of the amount of taxes owed, or (b) which fail to file a business tax return, whereby the current penalty of $100 would be increased to a penalty of $250. Mr. Putris advises that the Treasurer/Tax Collector's Office is unable to estimate the additional revenues to the City which would result from the increased penalties under the proposed ordinance.

5. The Budget Analyst notes that while business tax collections may increase during the amnesty period, much of that revenue might be collected without an amnesty program, simply as a result of the Tax Collector's normal auditing and collection procedures. The Attachment includes a flow chart of the business tax filing and collection process. As previously noted, the Treasurer/Tax Collector's Office has no information on the forgone revenues to the City from the 1995 amnesty program. As also previously noted, Mr. Putris estimates that the amount of penalty revenues which may be forgone by the City if the proposed Business Tax Penalty Amnesty Program is approved by the Board of Supervisors is $12,466,561.

6. Although the Controller is unable to certify additional increased revenue which may result from the proposed Business Tax Penalty Amnesty Program, such a Program could result in improved compliance with the City's business tax laws and could result in an increase to the City's business tax base if the number of currently unregistered businesses use the amnesty program to become registered with the City. The potential for an increased number of registered businesses could therefore be viewed as a long term revenue benefit resulting from the proposed Business Tax Penalty Amnesty Program.

7. According to Mr. Dorji Roberts of the City Attorney's Office, the Office of the Sponsor is submitting an Amendment of the Whole to the Finance Committee. Mr. Roberts advises that the Amendment of the Whole may contain the following changes or additions:

(a) The Tax Collector would designate the 60-day amnesty application period to begin on or after March 1, 2003 instead of on or after October 1, 2002, and to conclude on or before June 30, 2003 instead of on or before January 31, 2003, during which time the Tax Collector would accept applications to participate in the Business Tax Penalty Amnesty Program for Fiscal Year 2002-2003.

(b) The proposed ordinance would include language to clarify that any loss or partial loss of eligibility for the Small Business Exemption resulting from the failure to file a timely return would be deemed a penalty subject to waiver under the proposed Business Tax Penalty Amnesty Program. If a business owes $2,500 or less in business taxes to the City and files a timely business tax return, then the business is exempt from payment of the tax under the Small Business Exemption. If a small business fails to file a business tax return on time and the business owes $2,500 or less in business taxes, the business would be subject to penalties. Depending on the year at issue, the business would either lose its Small Business Exemption status entirely, or be subject to a graduated penalty, according to Mr. Roberts. Such penalties would be subject to waiver under the proposed Business Tax Penalty Amnesty Program.

(c) The proposed ordinance would include a Statement of Intent regarding future Business Tax Penalty Amnesty Programs to state that it is the intent of the Board of Supervisors that future amnesty programs could not take place for at least five years following the conclusion of the proposed amnesty program period.

(d) The proposed ordinance would include language to require that when a business qualifies to participate in the proposed Business Tax Penalty Amnesty Program, and that business enters into an installment payment agreement with the City to repay in full over time its delinquent business taxes, related interest, and/or fees, then the business must pay upfront 50% of the outstanding balance due to the City.

Recommendation: Approval of the proposed ordinance is a policy decision for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

MEMORANDUM

TO: Anna LaForte

FROM: George Putris, Tax Administrator

DATE: September 25, 2002

RE: Proposed Business Tax Penalty Amnesty Program

CC: Hon. Susan Leal, Treasurer/Tax Collector

We have considered your questions concerning the proposed Business Tax Penalty Amnesty Program and respond as follows:

1. Program Costs

Set forth below is an estimated budget for the proposed Business Tax Penalty Amnesty Program. This budget relies upon the actual costs incurred during the fiscal year 1994/1995 Amnesty Program.

Assumptions:

- Inflation rate at 20 percent for programming and materials. Employee compensation set forth at current rates.
- Total number of businesses participating in the proposed amnesty program same as in the prior program; that is, approximately 10,000 applicants, of which 4,500 ultimately required to pay delinquent tax obligations.
- Additional staff will be needed for a six-month period to complete the processing of applications and payment arrangements.

	Cost	FTE	Annual	Hourly
Temporary Positions				
4222 Sr. Auditor	36,400	0.5	72800	35
4220 Auditor	125,736	2	62868	30.225
1632 Sr. Acct Clerk	130,728	2	65364	31.425
1630 Acct Clerk	89,378	2	44688.8	21.485
1424 Clerk Typist	43,316	1	43316	20.825
FTE Total	425,558			
Benefits	140,434	0.33		
Overhead	106,389	0.25		
Advertising	350,000			
Materials,Supplies, Mailing, & Programing	298,800			
Total	1,321,181			

2. **Supplemental Appropriation Required**

The Treasurer's Office has not included the above-estimated costs in its fiscal year 2002/2003 budget. Therefore, supplemental appropriations equal to the entire program costs would be required.

3. **Aggregate Penalties Subject to Forgiveness Under Proposed Amnesty Program**

If all delinquent taxpayers with collectable accounts availed themselves of the proposed Business Tax Penalty Amnesty Program, the total amount of outstanding penalties subject to forgiveness would be $12,466,561.

The total amount collected during the fiscal year 1994/1995 Amnesty Program was $4,949,336. The total cost of administering such Program was $770,952, of which $249,162 was for materials, supplies and programming. The aggregate amount of penalties waived in connection with such Program were not recorded at the time and cannot easily be determined now.

4. **Delinquent Revenue Collection Process**

The department's Bureau of Delinquent Revenue ("BDR") is primarily responsible for identifying and collecting delinquent business tax revenues due and owing to the City and County of San Francisco. A summary of BDR's procedures are set forth below:

- Delinquent accounts are identified using "on-hold" reports generated daily from DTIS. This report reflects registered businesses that have made a payment but, due to a prior year's delinquency, have a "hold" on the issuance of a new registration certificate.

- For delinquent accounts, collectors research and compile all taxes, including business taxes and unsecured property taxes (UPP), and send a statement of account to the taxpayer.

- Taxpayers contact the office to pay, dispute or clarify the account. If payment in full is received, the registration will issue automatically by the Business Tax System ("BTS"). If the taxpayer disputes the liability and requests a waiver of penalties, the matter is forwarded to Business Tax Section. If the taxpayer sends documentation to substantiate the basis of the dispute (e.g., the business closed a year ago), then an adjustment request is forwarded to the Taxpayer Assistance or Business Tax Section.

- If the taxpayer fails to respond, a second letter is sent. If no response is received, then the account is forwarded to Investigations for further action and possibly the recordation of a lien. If the amount is under $5,000, the business tax summary judgments procedure may be used. If the amount is over $5,000, the account is forwarded to Legal Section to review for possible legal action.

- Separate from this process, collectors work to proactively identify business who are delinquent in tax payments in excess of those identified in the "on-hold" report. The following means are used:

i. Cross referencing taxpayer accounts in the BTS and various lists of delinquent UPP taxes and other files and lists provided by third parties, including Dunn and Bradstreet, the Franchise Tax Board, and the State Board of Equalization. This cross-checking procedure typically yields the identities of large numbers of unregistered businesses.
ii. Search of the BTS for large delinquent obligations to collect (also known as "cherry picking").
iii. Identification of unregistered companies and individuals doing business in the City and County of San Francisco using the Internet, periodicals, newspapers, etc.

The chart attached to this Memorandum provides an overview of BDR's collection process. The chart outlines procedures associated with non-payment of business taxes over time and reflects the categories of businesses who would be eligible for a new Amnesty Program.

5. Long Term Results of Prior Amnesty Program

It is reasonable to assume that some number of unregistered businesses that availed themselves of the prior amnesty program paid past and future taxes that would not have been collected but for such program. Some of these businesses would probably have been identified by BDR in the ordinary course of business; therefore, it is possible that the prior amnesty program reduced post-amnesty collections. Stated in another way, the amnesty program, by accelerating collections to the amnesty period, reduced later collections by a like amount.

6. Policy Implications of Amnesty Programs

The reduction of the number of non-compliant businesses eases BDR's burden of discovering and collecting delinquent tax obligations. In addition, amnesty serves to accelerate the collection of past-due tax obligations.

Two unintended effects of amnesty programs are as follows:

- Some of the taxpayers who have diligently complied with the City and County of San Francisco's various taxation laws or have actually paid the types of penalties forgiven under amnesty programs *take exception* to what they consider the special treatment that non-compliant businesses receive under such programs.

- In the taxable years following an amnesty program, some non-compliant businesses who incur penalties choose not to come forward, choosing instead to wait for a future amnesty program.

Business Tax Filing & Collection Process